

EXHIBIT 4

<p style="text-align: right;">Page 1</p> <p>JEFFREY M. WACTLAR IN THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK -----X GRANITE STATE INSURANCE COMPANY, Plaintiff, v. Civil Action No. 2009 Civ.10607 CLEARWATER INSURANCE COMPANY, f/k/a ODYSSEY REINSURANCE CORPORATION, f/k/a SKANDIA AMERICA REINSURANCE CORPORATION, Defendants. -----X DEPOSITION OF JEFFREY M. WACTLAR New York, New York Tuesday, February 15, 2011 REPORTED BY: BARBARA R. ZELTMAN Professional Stenographic Reporter Job Number: 2557</p>	<p style="text-align: right;">Page 3</p> <p>1 JEFFREY M. WACTLAR 2 A P P E A R A N C E S: 3 4 MOUND, COTTON, WOLLAN & GREENGRASS 5 Attorneys for the Plaintiff 6 One Battery Park Plaza 7 New York, New York 10004 8 BY: MATTHEW J. LASKY, ESQ. 9 10 11 CLYDE & CO. US LLP 12 Attorneys for the Defendants 13 405 Lexington Avenue 14 New York, New York 10174 15 BY: STEPHEN M. KENNEDY, ESQ. 16 17 18 DAVIS WRIGHT TREMAINE 19 Attorneys for Defendants 20 Suite 2200 21 1201 Third Avenue 22 Seattle, Washington 98101-3045 23 BY: BRADLEY R. DUNCAN, ESQ. (appearing 24 telephonically) 25</p>
<p style="text-align: right;">Page 2</p> <p>1 JEFFREY M. WACTLAR 2 3 4 February 15, 2011 5 10:20 a.m. 6 7 Deposition of JEFFREY M. WACTLAR, taken by 8 Defendant, pursuant to Notice, at the offices of 9 MOUND, COTTON, WOLLAN & GREENGRASS, One Battery Park 10 Plaza, New York, New York, before BARBARA R. ZELTMAN, a 11 Professional Stenographic Reporter and Notary Public 12 within and for the State of New York. 13 14 15 16 17 18 19 20 21 22 23 24 25</p>	<p style="text-align: right;">Page 4</p> <p>1 JEFFREY M. WACTLAR 2 3 KIRKLAND & ELLIS LLP 4 Attorneys for Defendants 5 300 North LaSalle 6 Chicago, IL 60654 7 BY: LAUREN M. HAWKINS, ESQ. (appearing 8 telephonically) 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25</p>

<p style="text-align: right;">Page 5</p> <p>1 JEFFREY M. WACTLAR</p> <p>2</p> <p>3 IT IS HEREBY STIPULATED AND AGREED</p> <p>4 by and between the attorneys for the respective</p> <p>5 parties herein that filing and sealing be and</p> <p>6 the same are hereby waived.</p> <p>7 IT IS FURTHER STIPULATED AND AGREED</p> <p>8 that all objections, except as to the form of</p> <p>9 the question, shall be reserved to the time</p> <p>10 of trial.</p> <p>11 IT IS FURTHER STIPULATED AND AGREED</p> <p>12 that the within deposition may be signed and</p> <p>13 sworn to before any officer authorized to</p> <p>14 administer an oath with the same force and</p> <p>15 effect as if signed and sworn to before</p> <p>16 the Court.</p>	<p style="text-align: right;">Page 7</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 Q So the type of reinsurance coverage</p> <p>3 you are not aware of.</p> <p>4 A That's correct.</p> <p>5 Q You understand it involves four</p> <p>6 policies issued by Granite State to</p> <p>7 McGraw-Edison?</p> <p>8 A Yes.</p> <p>9 Q You understand that those policies</p> <p>10 were issued from 1980 to 1983?</p> <p>11 A The time frame, I don't have a</p> <p>12 specific recollection of, but I do recall</p> <p>13 generally the '80s being the time period of</p> <p>14 those policies.</p> <p>15 Q Okay.</p> <p>16 Have you ever been deposed before?</p> <p>17 A Yes.</p> <p>18 Q How many times?</p> <p>19 A Twice.</p> <p>20 Q And were they matters while you</p> <p>21 were employed by AIG?</p> <p>22 A One was, one wasn't.</p> <p>23 Q And the one that was not, was that</p> <p>24 related to your employment?</p> <p>25 A Sort of. It was a legal</p>
<p style="text-align: right;">Page 6</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 JEFFREY M. WACTLAR,</p> <p>3 having been first duly sworn by</p> <p>4 Barbara R. Zeltman, Notary Public, was</p> <p>5 examined and testified as follows:</p> <p>6 EXAMINATION BY MR. KENNEDY:</p> <p>7 Q Good morning, Mr. Wactlar.</p> <p>8 My name is Steve Kennedy. I'm with</p> <p>9 Clyde & Co. US LLP and I represent</p> <p>10 Clearwater Insurance Company in this dispute</p> <p>11 against Granite State Insurance Company</p> <p>12 pending in the Southern District of New</p> <p>13 York.</p> <p>14 Are you aware of that litigation</p> <p>15 between Clearwater and Granite State?</p> <p>16 A I am.</p> <p>17 Q And you understand that it involves</p> <p>18 facultative coverage that Skandia or</p> <p>19 Clearwater issued to Granite State regarding</p> <p>20 certain insurance policies that Granite</p> <p>21 State issued to McGraw-Edison?</p> <p>22 A I'm aware that -- I'm aware that</p> <p>23 involves reinsurance. The certificates and</p> <p>24 things like that specifically I'm not aware</p> <p>25 of.</p>	<p style="text-align: right;">Page 8</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 malpractice case I was brought into and I</p> <p>3 testified as a party in that case.</p> <p>4 Q Were you lawyer?</p> <p>5 A Yes.</p> <p>6 Q You are a lawyer?</p> <p>7 A Yes.</p> <p>8 Q And that was at a law firm you were</p> <p>9 practicing?</p> <p>10 A Yes.</p> <p>11 Q And with respect to the second</p> <p>12 deposition, that was when you were at AIG?</p> <p>13 A Yes.</p> <p>14 Q What did that involve?</p> <p>15 A That was a matter where I handled</p> <p>16 the underlying claim and it was a coverage</p> <p>17 action that was brought by the insurer</p> <p>18 seeking coverage.</p> <p>19 Q By the insurer?</p> <p>20 A Yes.</p> <p>21 Q And what type of claim was it?</p> <p>22 A It was a bodily injury claim,</p> <p>23 multiple plaintiffs that had -- the</p> <p>24 underlying claim was settled. We were the</p> <p>25 excess carrier and the insured was seeking</p>

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<p style="text-align: right;">Page 13</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 Medvin & Elberg in Newark and the</p> <p>3 Law Office of Lewis Chapman in Wayne.</p> <p>4 Q Can you generalize the type of law</p> <p>5 you practiced with those four firms?</p> <p>6 A Yes.</p> <p>7 It was essentially personal injury,</p> <p>8 medical malpractice and commercial</p> <p>9 litigation, with a little bit of general</p> <p>10 practice work thrown in such as real estate</p> <p>11 closings and municipal work.</p> <p>12 Q And what year did you graduate from</p> <p>13 Hofstra?</p> <p>14 A Hofstra was '92.</p> <p>15 Q And when did you graduate from</p> <p>16 Seton Hall?</p> <p>17 A '95.</p> <p>18 Q So that puts you in private</p> <p>19 practice from '95 to 2005?</p> <p>20 A Right.</p> <p>21 Q And in 2005 you joined AIG?</p> <p>22 A Yes.</p> <p>23 Q And what department or division did</p> <p>24 you join?</p> <p>25 A I went into what was called "the</p>	<p style="text-align: right;">Page 15</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 levels of experience.</p> <p>3 Q Three being the highest?</p> <p>4 A Yes.</p> <p>5 Q And what could you attain after</p> <p>6 analyst Level 3?</p> <p>7 A Assistant vice president.</p> <p>8 Q And is that considered management?</p> <p>9 A Yes.</p> <p>10 Q Are you an analyst Level 3 today?</p> <p>11 A My title is actually complex</p> <p>12 director.</p> <p>13 There was sort of a title</p> <p>14 consolidation/reorganization a few years ago</p> <p>15 at the company and they did away with the</p> <p>16 Analyst 1, 2, 3 designations and now you</p> <p>17 have analysts, senior analyst, complex</p> <p>18 director.</p> <p>19 Q So is it fair to say that since you</p> <p>20 got to AIG, your responsibilities -- while</p> <p>21 your title may have changed, your</p> <p>22 responsibilities are the same?</p> <p>23 A Yes.</p> <p>24 Q What are those responsibilities?</p> <p>25 A I handle files, essentially claims</p>
<p style="text-align: right;">Page 14</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 toxic tort department" at that time.</p> <p>3 Q And was that with an outfit called</p> <p>4 AIG Domestic --</p> <p>5 A Domestic Claims. AIG Domestic</p> <p>6 Claims Group I think was the name.</p> <p>7 Q And what did the toxic tort</p> <p>8 division handle at the time?</p> <p>9 A It handled all asbestos claims,</p> <p>10 bodily injury asbestos claims and all other</p> <p>11 toxic long-tail exposure claims tendered to</p> <p>12 general liability policies.</p> <p>13 Q And in private practice, had you</p> <p>14 had any type of experience with these</p> <p>15 long-tail liability claims?</p> <p>16 A No.</p> <p>17 Q And what was the job title that you</p> <p>18 assumed when you joined AIG in 2005?</p> <p>19 A I think it was analyst Level 3.</p> <p>20 Q Do you know what that means? What</p> <p>21 is a analyst Level 3 as opposed to any other</p> <p>22 level?</p> <p>23 A I think below management, at the</p> <p>24 time there were analysts Level 1, 2 and 3</p> <p>25 and the levels denoted I think essentially</p>	<p style="text-align: right;">Page 16</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 that are tendered by insureds to policies.</p> <p>3 Q And is it primarily asbestos claims</p> <p>4 that you handle?</p> <p>5 A No. I've actually since changed</p> <p>6 departments.</p> <p>7 I'm now in a department that's</p> <p>8 known as PASE, P-A-S-E, solution and single</p> <p>9 event is what that stands for.</p> <p>10 Q And when did you change</p> <p>11 departments?</p> <p>12 A About two years ago.</p> <p>13 Q 2009?</p> <p>14 A That's about right. I think it was</p> <p>15 May of 2009.</p> <p>16 Q Prior to that change, was it mostly</p> <p>17 asbestos claims that you handled?</p> <p>18 A Well, since it was a toxic tort</p> <p>19 department, it was a combination of asbestos</p> <p>20 and other toxics.</p> <p>21 Q Was it predominantly asbestos?</p> <p>22 A Asbestos was probably 50 percent of</p> <p>23 what I handled.</p> <p>24 Q So you handled claim files where a</p> <p>25 claim gets tendered to AIG by an insured?</p>

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<p style="text-align: right;">Page 25</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 the asbestos department, the toxic tort</p> <p>3 department handled claims tendered to older</p> <p>4 policies, so many of those policies were</p> <p>5 kept in hard copy or on microfiche, so we</p> <p>6 would send requests out to have those</p> <p>7 policies sent to us.</p> <p>8 Q And that request would go to where?</p> <p>9 A I don't know. I can't recall</p> <p>0 specifically, but it was some repository of</p> <p>1 policies.</p> <p>2 Q Do you know where that repository</p> <p>3 is located?</p> <p>4 A I don't.</p> <p>5 Q Is it just one location?</p> <p>6 A I don't recall.</p> <p>7 Q So the policy then generally would</p> <p>8 be in a claim file?</p> <p>9 A Yes.</p> <p>0 Q Along with the initial notice of</p> <p>1 claim?</p> <p>2 A Yes.</p> <p>3 Q If AIG or if you went out and</p> <p>4 retained coverage counsel at certain point</p> <p>5 in time, would your communications with</p>	<p style="text-align: right;">Page 27</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 practice be placed in the claim file?</p> <p>3 A Yes.</p> <p>4 Q Have you ever worked on a claim</p> <p>5 file or account where there was an analysis</p> <p>6 done of the potential monetary amount and</p> <p>7 number of claims that were involved --</p> <p>8 strike that.</p> <p>9 Have you ever been involved in an</p> <p>10 asbestos claim where there was analysis done</p> <p>11 of the potential monetary exposure to the</p> <p>12 AIG policy at issue?</p> <p>13 MR. LASKY: Object to the form.</p> <p>14 A Yeah. I mean, that's a tough</p> <p>15 question to answer and I guess to a certain</p> <p>16 extent I don't really understand the</p> <p>17 question.</p> <p>18 I mean, it would not be uncommon to</p> <p>19 have counsel give you his or her opinion of</p> <p>20 a value of a case, so in that regard, yes.</p> <p>21 Q Let me ask you this:</p> <p>22 Have you ever been involved in a</p> <p>23 case where there were numerous AIG policies</p> <p>24 at issue?</p> <p>25 A Yes.</p>
<p style="text-align: right;">Page 26</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 coverage counsel be placed in the claim</p> <p>3 file?</p> <p>4 A It might be.</p> <p>5 Q As a general practice?</p> <p>6 A It depends. Written communications</p> <p>7 might be. Verbal communications, depending</p> <p>8 on what they were, may not be reduced to a</p> <p>9 writing that could be put in a claim file.</p> <p>0 Q So fair to say that written</p> <p>1 communications as a general practice would</p> <p>2 be put into the claim file?</p> <p>3 A Generally speaking, yes.</p> <p>4 Q And then if there were</p> <p>5 communications back and forth between AIG or</p> <p>6 its agent, say coverage counsel on behalf of</p> <p>7 AIG and the insured or the insured's agent,</p> <p>8 its counsel, for example, would those</p> <p>9 communications be placed in the claim file</p> <p>0 as a matter of general practice?</p> <p>1 A I would think so, yes.</p> <p>2 Q And the same question for any</p> <p>3 broker or intermediary that might be</p> <p>4 involved, would that communications with</p> <p>5 that broker or intermediary as a general</p>	<p style="text-align: right;">Page 28</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 Q What I mean "numerous AIG</p> <p>3 policies," I mean issued by numerous AIG</p> <p>4 companies.</p> <p>5 A Yes.</p> <p>6 Q As an example, Granite State,</p> <p>7 National Union, Landmark, American Home, for</p> <p>8 example, those are different AIG companies,</p> <p>9 right?</p> <p>10 A Yes.</p> <p>11 Q And you'd been involved in claims,</p> <p>12 asbestos claims where some or all of those</p> <p>13 companies were involved in issuing coverage</p> <p>14 to the insured, right?</p> <p>15 A Yes.</p> <p>16 Q Okay.</p> <p>17 Now, when that happens, generally</p> <p>18 speaking, there may be questions about which</p> <p>19 policy responds to the claims and which may</p> <p>20 not; is that right?</p> <p>21 A Correct.</p> <p>22 Q And as a claims analyst, you have a</p> <p>23 responsibility, didn't you, to figure out or</p> <p>24 try to figure out which policies would</p> <p>25 respond and which policies wouldn't, right?</p>

<p style="text-align: right;">Page 45</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 A I testified about coverage</p> <p>3 litigation? You are talking about the</p> <p>4 coverage litigation, the underlying case in</p> <p>5 this lawsuit?</p> <p>6 Q Well, I was going to ask you what</p> <p>7 you meant by that reference to coverage</p> <p>8 litigations.</p> <p>9 A Oh, okay. I understand the</p> <p>0 question.</p> <p>1 Yes. Coverage litigation would be</p> <p>2 that action by Federal Mogul seeking</p> <p>3 coverage from the AIG company policies along</p> <p>4 with other carriers.</p> <p>5 Q Okay.</p> <p>6 You understand that in the Federal</p> <p>7 Mogul bankruptcy proceedings,</p> <p>8 Dresser-Halliburton initiated an adversary</p> <p>9 proceeding against Federal Mogul to resolve</p> <p>0 the competing claims of coverage under the</p> <p>1 Granite State McGraw-Edison policies and the</p> <p>2 other policies?</p> <p>3 A That, I'm not familiar with.</p> <p>4 Q When you say "the coverage</p> <p>5 litigation" then, what do you have in mind?</p>	<p style="text-align: right;">Page 47</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 2GRANITE-0011994, was marked for</p> <p>3 Identification.)</p> <p>4 MR. LASKY: Is this the entire</p> <p>5 document?</p> <p>6 MR. KENNEDY: This is the</p> <p>7 entire document produced by you. I</p> <p>8 can't --</p> <p>9 MR. LASKY: I thought I heard</p> <p>10 "partial."</p> <p>11 MR. KENNEDY: I didn't give the</p> <p>12 full title of the agreement itself.</p> <p>13 I used some shorthand reference.</p> <p>14 MR. LASKY: Okay.</p> <p>15 BY MR. KENNEDY:</p> <p>16 Q Mr. Wactlar, take as much time you</p> <p>17 need to look at the document.</p> <p>18 Do you recognize this document?</p> <p>19 A Generally speaking, looks to be the</p> <p>20 settlement agreement that we entered into.</p> <p>21 Q And that was with Federal Mogul</p> <p>22 Asbestos Trust and other entities?</p> <p>23 A Correct.</p> <p>24 Q To resolve the claims that Federal</p> <p>25 Mogul was making under the AIG company</p>
<p style="text-align: right;">Page 46</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 Where was the venue? When was it initiated?</p> <p>3 What do you have in mind?</p> <p>4 A I have in mind the action by</p> <p>5 Federal Mogul seeking coverage against AIG,</p> <p>6 among other companies and other carriers</p> <p>7 that I handled.</p> <p>8 It was initiated prior to my</p> <p>9 handling the claim file, so I don't have a</p> <p>0 specific recollection of when it was</p> <p>1 tendered to AIG, but when I refer to</p> <p>2 coverage litigation, that's generally what I</p> <p>3 refer to.</p> <p>4 MR. KENNEDY: Let's mark as</p> <p>5 Clearwater Exhibit 4, a document</p> <p>6 entitled in part Settlement Agreement</p> <p>7 and Release among the Federal Mogul</p> <p>8 US Asbestos Personal Injury Trust and</p> <p>9 the AIG Companies.</p> <p>0 2GRANITE-0011935 to 1994.</p> <p>1 (Clearwater Exhibit 4,</p> <p>2 Settlement Agreement and Release</p> <p>3 among the Federal Mogul US Asbestos</p> <p>4 Personal Injury Trust and the AIG</p> <p>5 Companies, 2GRANITE-0011935 through</p>	<p style="text-align: right;">Page 48</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 policies?</p> <p>3 A That coverage litigation I was</p> <p>4 talking about earlier, yes.</p> <p>5 Q Could you look on Page 4, please.</p> <p>6 A Yes.</p> <p>7 Q And the third "whereas" clause.</p> <p>8 A Yes.</p> <p>9 Q Is that the coverage litigation you</p> <p>10 were referring to?</p> <p>11 A That paragraph says "Whereas on</p> <p>12 September 19, 2006 Federal Mogul Products,</p> <p>13 Inc. initiated an action against certain</p> <p>14 insurance companies including certain AIG</p> <p>15 companies ..."</p> <p>16 I believe so, yes.</p> <p>17 Q And we can go back and look at the</p> <p>18 policies that are referred to in this</p> <p>19 agreement, but do you understand that those</p> <p>20 policies that Federal Mogul was suing on</p> <p>21 included the McGraw-Edison Granite State</p> <p>22 policies?</p> <p>23 A Yes, that's right.</p> <p>24 Q And if you actually look, if you</p> <p>25 just go to -- if you could please to 1991.</p>

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1 **JEFFREY M. WACTLAR**

2 have a general understanding of what did
3 when it was given to you?

4 A Do I have a general understanding
5 of what I did when I got that file?
6 Generally, I would have looked at the file
7 material, I would have read through the
8 file, I would have determined what status
9 the file was in.

0 Q Do you recall any discussions with
1 Steve Parness about the file when you were
2 assigned it?

3 A I don't specifically recall a
4 conversation with Steve Parness but it's
5 very likely that Steve and I sat down and
6 talked about all the new files that I got.

7 Q I think we talked about this
8 earlier, but if you had any questions
9 regarding the material in the file that you
0 reviewed, you would be consulting maybe the
1 prior claims handler?

2 A Sure. That might be one thing I
3 would do.

4 Q In this instance you don't
5 specifically recall who that was, right?

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2 A I don't. I can't say as I sit here
3 at that I specifically recall the prior
4 claims handlers on really any of the files
5 that I got back at that time.

6 Q Do you recall that Leticia Diaz was
7 assigned the Dresser file at this time?

8 A I do.

9 Q Do you recall any discussions with
0 her with respect to that file?

1 A I can't recall any specific
2 conversations.

3 I remember generally talking to
4 Leticia. I remember generally talking about
5 the Partition Agreement.

6 As I said earlier I know it existed
7 and I know Leticia and I generally spoke
8 about it but I don't remember any specific
9 conversations with her.

0 Q So you understood there was a
1 relationship at least in the Partition
2 Agreement between the Dresser claims and the
3 Federal Mogul claims?

4 A Yes.

5 Q Do you recall getting up to speed

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2 with any coverage counsel at this point in
3 time?

4 A Yes.

5 Q And what coverage counsel would
6 that be?

7 A Jim Dolan. He would have been my
8 contact coverage person.

9 Q Do you know whether he was also the
10 contact person with respect to the Dresser
11 part of it?

12 A That, I don't know.

13 Q And you understand that at this
14 point in time, which when you were assigned
15 the file, that the AIG companies along with
16 the other insurers in the joint defense
17 group were mediating with Federal Mogul?

18 A I knew -- I don't recall
19 specifically when that mediation took place,
20 but I generally new of a mediation.

21 Q I mean, you understood that it was
22 an ongoing process, right?

23 A Correct.

24 Q That there were a number of
25 meetings between Federal Mogul and the joint

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2 defense group to try to settle this?

3 A I did know that, yes.

4 Q It was really a continuum over
5 time, wasn't it?

6 A You know, I mean basically, yes.
7 The answer to your question is yes. I knew
8 that they were attempting to negotiate a
9 resolution.

10 Q And your role with respect to that
11 mediation was a fairly critical one, right,
12 as the claims handler to understand what the
13 issues were in the mediation, what the
14 potential dollar amounts were; is that fair
15 to say?

16 MR. LASKY: Object to the form.

17 A Well, I don't agree with your
18 classification that my role was critical in
19 the mediation. I think it was important
20 that I understood, yes, the dollars involved
21 and efforts to resolve the case.

22 Q And did you undertake an effort to
23 understand what the potential dollars
24 involved were?

25 A I did.

23 (Pages 89 to 92)

<p style="text-align: right;">Page 93</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 Q And what did you do to try to</p> <p>3 understand those potential dollars?</p> <p>4 A Well, I would have looked at the</p> <p>5 coverage involved, in other words, the</p> <p>6 policies that were in play in this action.</p> <p>7 So the total coverage dollars involved, you</p> <p>8 know, in light of the Partition Agreement.</p> <p>9 I would have looked at what we</p> <p>10 talked about before, Brattle Group's</p> <p>11 analysis, the potential impact of those</p> <p>12 policies, any coverage defenses that we may</p> <p>13 have had. Those would generally be the</p> <p>14 things that I would look at.</p> <p>15 Q Do you recall this term that was</p> <p>16 used at the time among the joint defense</p> <p>17 group of "the size of the problem"?</p> <p>18 A Yeah, that was a term that we</p> <p>19 generally would use in cases like this.</p> <p>20 Q And explain to me what that term</p> <p>21 means.</p> <p>22 A In other words, "the size of the</p> <p>23 problem" would be like a slang reference to</p> <p>24 the total asbestos liability attributable to</p> <p>25 an insured.</p>	<p style="text-align: right;">Page 95</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 right?</p> <p>3 A Yes.</p> <p>4 Q The period of time of coverage, I</p> <p>5 think you suggested, is another factor,</p> <p>6 right?</p> <p>7 A Yes.</p> <p>8 Q Number of occurrences might be</p> <p>9 another factor?</p> <p>10 A Yes, it might.</p> <p>11 Q And you take those factors and the</p> <p>12 joint defense group actually had those</p> <p>13 factors analyzed, didn't they, with respect</p> <p>14 to the Federal Mogul claims?</p> <p>15 A Well, all those factors, I don't</p> <p>16 know that -- I can't testify that they had</p> <p>17 specific each carrier's policy limits,</p> <p>18 coverage defenses and all those things.</p> <p>19 My understanding of the Brattle</p> <p>20 Group is they had sort of analyzed the size</p> <p>21 of problem, as we referred to it.</p> <p>22 Q Didn't they weight the</p> <p>23 probabilities of the size of the problem to</p> <p>24 come up with some ranges of potential</p> <p>25 liability?</p>
<p style="text-align: right;">Page 94</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 Q And generally, insureds and</p> <p>3 insurers have usually a marked difference of</p> <p>4 opinion as to what that potential liability</p> <p>5 is; is that right?</p> <p>6 A Yes, sometimes.</p> <p>7 Q And there usually is often a low</p> <p>8 range and a high range of the total</p> <p>9 potential liability for asbestos claims in</p> <p>10 any one claim or account, right?</p> <p>11 A That's right.</p> <p>12 Q And I think you said the joint</p> <p>13 defense group retained the Brattle Group to</p> <p>14 try to help them determine what those ranges</p> <p>15 might be?</p> <p>16 A That's right.</p> <p>17 Q And so the size of the problem is</p> <p>18 one factor to appreciate what any one</p> <p>19 carrier's or insurer's potential liability</p> <p>20 might be under the policies, right?</p> <p>21 A That's right.</p> <p>22 Q There are other factors, aren't</p> <p>23 there?</p> <p>24 A Yes.</p> <p>25 Q Coverage defenses would be one,</p>	<p style="text-align: right;">Page 96</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 Do you understand?</p> <p>3 A That's right, yes, they did.</p> <p>4 Q Didn't they in their analysis also</p> <p>5 take into account coverage defenses into</p> <p>6 their exposure analyses?</p> <p>7 A You know, I don't recall. They may</p> <p>8 have. I don't remember specifically.</p> <p>9 Q Didn't they factor into their</p> <p>10 analysis the number of occurrences and</p> <p>11 weight the probabilities?</p> <p>12 A Again, that's -- they certainly may</p> <p>13 have. I don't have a specific recollection</p> <p>14 of what factors they looked at, but</p> <p>15 generally I know we were looking at those</p> <p>16 Brattle numbers being important in sort of</p> <p>17 evaluating the overall value of the claim.</p> <p>18 Q Had you looked at these Brattle</p> <p>19 reports and looked at these factors that</p> <p>20 were included in them, you would have taken</p> <p>21 steps to understand them at the time, right?</p> <p>22 A Yes.</p> <p>23 Q And who would you talk to, assuming</p> <p>24 they weren't self-evident to you when you</p> <p>25 were looking at them and you needed to</p>

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1 **JEFFREY M. WACTLAR**
 2 understand them more, who would you have
 3 talked to?
 4 A I would have talked to Jim Dolan.
 5 Q Anyone else?
 6 A Not that I can think of.
 7 Q Now, when you were assigned a claim
 8 and talking to Leticia Diaz, you understand
 9 that the Brattle Group was the consultant
 10 used to help settle the Dresser/Halliburton
 11 claims?
 12 A I don't have a specific
 13 recollection of that. As I sit here today,
 14 I can't tell you whether or not she relied
 15 on the Brattle Group, if it was part of her
 16 side of the case.
 17 Q You understand, though, that as you
 18 became involved, first involved with the
 19 Federal Mogul claims, that the Dresser/
 20 Halliburton piece had been settled?
 21 A Yes, I was aware of that.
 22 Q Now, going back to these Brattle
 23 reports, you said that they were important
 24 to AIG's understanding of the value of the
 25 claim, right?

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1 **JEFFREY M. WACTLAR**
 2 A Yes.
 3 Q And isn't it true that you used
 4 these reports -- withdraw the question.
 5 When you first were assigned the
 6 file, what was the sequence of events? I
 7 mean, there was a preexisting claim file you
 8 were assigned?
 9 A Yes.
 10 Q There was coverage counsel, right?
 11 A Yes.
 12 Q In the form of Jim Dolan, Cozen
 13 O'Connor?
 14 A Yes.
 15 Q There was a consultant already
 16 helping the joint defense group, including
 17 AIG companies, right, the Brattle Group?
 18 A Yes.
 19 Q Was Alan Gray involved at this
 20 point?
 21 A I don't think so.
 22 Q Was Campos & Stratis involved?
 23 A I don't think they were involved at
 24 this point.
 25 Q Was Lynberg & Watkins involved at

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1 **JEFFREY M. WACTLAR**
 2 all?
 3 A They may have been involved.
 4 Q What was the extent of their
 5 involvement?
 6 A They may have had some historic
 7 involvement in the file. They may have been
 8 helping us with some analysis.
 9 I recall generally working with
 10 them, but I can't tell you specifically what
 11 we used them or what we relied them for.
 12 Q And that was when you were assigned
 13 the file?
 14 A Yes.
 15 Q So all of those things are in
 16 place.
 17 And what happens next when you get
 18 assigned the file?
 19 A Well, as we talked about earlier, I
 20 would have probably read through the claim
 21 file. I probably would have talked to Steve
 22 Parness.
 23 I probably would have noted what
 24 vendors or what firms were involved in the
 25 file, called them, spoken to them.

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1 **JEFFREY M. WACTLAR**
 2 It's likely I did all those things.
 3 Q And would you have wanted to know
 4 when the next mediation session was, if
 5 there was going to be one?
 6 A I would have been interested to
 7 know any important developments in the file.
 8 I would certainly think that mediation would
 9 be an important development in the file.
 10 Q If there had been prior settlement
 11 offers by the joint defense group including
 12 AIG, would you have wanted to know about
 13 that?
 14 A Yes.
 15 Q Would you want to understand the
 16 basis for those settlement offers?
 17 A Yes.
 18 Q And do you recall making efforts to
 19 determine that?
 20 A I recall generally getting up to
 21 speed on the file. I don't recall
 22 specifically learning of any settlement
 23 offers or demands other than perhaps policy
 24 limit demands when I first got the file.
 25 Q Okay.

25 (Pages 97 to 100)

<p style="text-align: right;">Page 109</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 going to raise reserves in the next</p> <p>3 18 months.</p> <p>4 If you thought you might raise</p> <p>5 reserves, you would put that down.</p> <p>6 Q But these periodic fixed</p> <p>7 settlements, right, are not projections.</p> <p>8 They are a certainty that you are going to</p> <p>9 be making these payments, right?</p> <p>10 A That's right.</p> <p>11 Q So would they be reflected on the</p> <p>12 PAQR report?</p> <p>13 A They should be.</p> <p>14 Because projections would be</p> <p>15 payments that were scheduled to be made as</p> <p>16 well.</p> <p>17 Q I'm sorry. Did you tell me what</p> <p>18 the acronym is?</p> <p>19 A You know, I was trying to think of</p> <p>20 it and I knew at some point but I can't</p> <p>21 remember what that stands for.</p> <p>22 Project and quarterly report, I</p> <p>23 guess. That's a guess. I don't want to do</p> <p>24 that.</p> <p>25 MR. KENNEDY: Let's mark as</p>	<p style="text-align: right;">Page 111</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 the document, you see Federal Mogul</p> <p>3 carrier's offer and terms, it looks like.</p> <p>4 A Yes.</p> <p>5 Q Do you know whose handwriting this</p> <p>6 is?</p> <p>7 A It's not mine. I don't know whose</p> <p>8 it is.</p> <p>9 Q You see on the second page, looking</p> <p>10 this over or just generally, do you have an</p> <p>11 understanding that the insured joint defense</p> <p>12 group made an offer to Federal Mogul in</p> <p>13 September '05?</p> <p>14 A I don't have a specific</p> <p>15 recollection of that.</p> <p>16 I have a vague recollection of an</p> <p>17 offer being made, but I don't really have a</p> <p>18 specific recollection as to this offer.</p> <p>19 Q But you have a general recollection</p> <p>20 that an offer was made in September '05?</p> <p>21 A Generally, yes.</p> <p>22 MR. KENNEDY: This exhibit is</p> <p>23 entitled Federal Mogul Carrier's</p> <p>24 Offer and Terms.</p> <p>25 Q If you go to the third -- fourth</p>
<p style="text-align: right;">Page 110</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 Clearwater Exhibit 9, a document</p> <p>3 Bates-stamped GRANITE STATE-026480 to</p> <p>4 026484.</p> <p>5 (Clearwater Exhibit 9, Federal</p> <p>6 Mogul Carrier's Offer and Terms,</p> <p>7 GRANITE STATE-026480 through</p> <p>8 GRANITE STATE-026484, was marked</p> <p>9 for Identification.)</p> <p>10 MR. LASKY: I would just like</p> <p>11 the record to show that this is a</p> <p>12 confidential document. So to the</p> <p>13 extent it's going to be used in trial</p> <p>14 or in litigation, it should be used</p> <p>15 in accordance with the</p> <p>16 confidentiality agreement we've</p> <p>17 reached in this litigation.</p> <p>18 BY MR. KENNEDY:</p> <p>19 Q Mr. Wactlar, take as much time as</p> <p>20 you'd like looking over this document, but I</p> <p>21 would like know have you seen this document</p> <p>22 before?</p> <p>23 A I don't recall ever seeing this</p> <p>24 document.</p> <p>25 Q If you look on the first page of</p>	<p style="text-align: right;">Page 112</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 page in, Mr. Wactlar, there's handwriting</p> <p>3 there.</p> <p>4 Do you recognize that handwriting?</p> <p>5 A I don't.</p> <p>6 MR. KENNEDY: Mark as</p> <p>7 Clearwater Exhibit Number 10, a</p> <p>8 document Bates Number GRANITE</p> <p>9 STATE-009119 through 9120.</p> <p>10 And it's entitled "For settlement</p> <p>11 discussion purposes only, not admissible</p> <p>12 in any proceeding subject to mediation</p> <p>13 privilege, 1-12-06, Carriers Counsel</p> <p>14 Proposal.</p> <p>15 (Clearwater Exhibit 10,</p> <p>16 Carriers Counsel Proposal, 1-12-06,</p> <p>17 GRANITE STATE-009119 through</p> <p>18 GRANITE STATE-009120, was marked</p> <p>19 for Identification.)</p> <p>20 BY MR. KENNEDY:</p> <p>21 Q Mr. Wactlar, have you seen this</p> <p>22 document before?</p> <p>23 A I don't think so.</p> <p>24 Q Do you understand that in January</p> <p>25 of 2006 the carriers made another offer?</p>

28 (Pages 109 to 112)

<p style="text-align: right;">Page 113</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 A I have no -- I really don't have a</p> <p>3 specific recollection, no.</p> <p>4 Q Generally speaking, do you</p> <p>5 understand that they made an offer in</p> <p>6 January of 2006?</p> <p>7 A Even generally would be hard for me</p> <p>8 to answer in the affirmative.</p> <p>9 I know there were circumstances</p> <p>10 back and forth but it's very difficult for</p> <p>11 me to specifically recall offers made.</p> <p>12 Q Forgetting the number, do you</p> <p>13 recall in this time period, that is, in</p> <p>14 September '05-January '06, that offers were</p> <p>15 being made generally?</p> <p>16 A Yeah, I remember when I got the</p> <p>17 file generally knowing about this mediation</p> <p>18 and to that extent that there was</p> <p>19 negotiations.</p> <p>20 So, you know, as far as</p> <p>21 negotiations involved, offers back and</p> <p>22 forth, I am aware of that generally, yes.</p> <p>23 Q And then if you turn the page, you</p> <p>24 see the handwriting there?</p> <p>25 A Yes.</p>	<p style="text-align: right;">Page 115</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 I have no specific -- you know,</p> <p>3 I've seen a lot of spreadsheets and charts</p> <p>4 associated with this file.</p> <p>5 This may have been one. Very</p> <p>6 difficult for me to say exactly, this was</p> <p>7 the exact one.</p> <p>8 Q Right.</p> <p>9 Do you have an understanding of</p> <p>10 what "split coverage" means up at the top</p> <p>11 left-hand corner?</p> <p>12 A I think that means that the</p> <p>13 Partition Agreement that we talked about</p> <p>14 earlier, that Federal Mogul has those policy</p> <p>15 limits.</p> <p>16 Q And you see the policy limits AIG</p> <p>17 Advocacy, that column titled that?</p> <p>18 A Yes.</p> <p>19 Q What is AIG advocacy?</p> <p>20 A I think what that meant was there</p> <p>21 was an issue of annualized limits because</p> <p>22 there were some multi-year policies and we</p> <p>23 were taking the position that it was just</p> <p>24 one set of limits. The insured was taking</p> <p>25 the position that there were multiple</p>
<p style="text-align: right;">Page 114</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 Q Is that your handwriting?</p> <p>3 A No.</p> <p>4 Q Do you know whose handwriting?</p> <p>5 A I don't.</p> <p>6 MR. KENNEDY: Mark as</p> <p>7 Clearwater Exhibit 11, a document</p> <p>8 entitled Federal Mogul/Wagner</p> <p>9 Mediation AIG Policies. Bates-</p> <p>10 stamped GRANITE SITE -- I think</p> <p>11 that's a typo -- 009223 through 9225.</p> <p>12 (Clearwater Exhibit 11,</p> <p>13 Federal Mogul/Wagner Mediation AIG</p> <p>14 Policies, GRANITE SITE-009223</p> <p>15 through GRANITE SITE-009225, was</p> <p>16 marked for Identification.)</p> <p>17 BY MR. KENNEDY:</p> <p>18 Q And Mr. Wactlar, have you seen this</p> <p>19 document before?</p> <p>20 A I may have seen this document</p> <p>21 before.</p> <p>22 Q And when's the first time you saw</p> <p>23 it?</p> <p>24 A This may have been contained in the</p> <p>25 file at some point when I got it.</p>	<p style="text-align: right;">Page 116</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 limits.</p> <p>3 So I think what that represents is</p> <p>4 one limit for that multi-year policy.</p> <p>5 Q When you were working on this</p> <p>6 account from 2006 to the time it settled at</p> <p>7 the end of 2008, were you the only claims</p> <p>8 analyst on it or were you working with</p> <p>9 others?</p> <p>10 A Well, I was working with Steve</p> <p>11 Parness, but I was the only analyst-level</p> <p>12 person working on it.</p> <p>13 Q Was Leticia Diaz involved with you</p> <p>14 on this claim?</p> <p>15 A No. Only insofar that we would --</p> <p>16 I might ask her if she had a policy if I</p> <p>17 couldn't find a hard copy of a policy but</p> <p>18 not really --</p> <p>19 Q By reason of her handling the</p> <p>20 Dresser piece?</p> <p>21 A Yes.</p> <p>22 Q And what about Steve Parness, who</p> <p>23 was involved, if anyone?</p> <p>24 A On a day-to-day basis?</p> <p>25 Q Yeah, on a day-to-day basis.</p>

29 (Pages 113 to 116)

<p style="text-align: right;">Page 121</p> <p>1 JEFFREY M. WACTLAR 2 Heintz & Randolph." 3 Do you see that? 4 A I do. 5 Q Do you know who they were? 6 A No. 7 Q Putting aside whether you recall 8 seeing this document before, do you have an 9 understanding of what it is? 10 A Well, there's a coverage chart on 11 the back. 12 It looks like an allocation. 13 Q To the AIG policies? 14 A Well, it says "AIG less Yosemite." 15 It would appear to be but I can't 16 make a representation that all the 17 policies -- I didn't contract to have this 18 done. 19 Q Okay. 20 Just looking at the notation on the 21 bottom left-hand corner on the first page, 22 it says "Cash flow is discounted through 23 1-31-2006 using the yield curve of Treasury 24 bonds as of 1-12-2006." 25 Do you have an understanding of</p>	<p style="text-align: right;">Page 123</p> <p>1 JEFFREY M. WACTLAR 2 prepared this is noting for the user or 3 viewer that exhaustion is assumed per some 4 correspondence that went between the 5 carriers and the bankruptcy counsel. 6 Q And do you have an understanding of 7 what correspondence? 8 A I don't. Actually, it may be that 9 Gilbert Heintz firm is bankruptcy counsel. 10 Maybe. I don't know. I'm sort of guessing 11 there. I don't know. 12 MR. KENNEDY: Mark as 13 Clearwater Exhibit Number 13. 14 It's a series of e-mails. The top 15 one on the first page is from Ted Feldman 16 to Elizabeth Hanke and others dated 17 July 27, 2006. 18 The document is Bates-stamped GS 19 CONFIDENTIAL-002108 through 2111. 20 MR. LASKY: I want to state for 21 record all the documents that bear 22 confidential stamping are also 23 considered confidential and should be 24 treated as such. 25 MR. KENNEDY: We have agreement</p>
<p style="text-align: right;">Page 122</p> <p>1 JEFFREY M. WACTLAR 2 what means? 3 A Probably means net present value. 4 Q Beyond that do you have an 5 understanding of what it is? 6 A No. 7 Q Next notation is "Limited 8 information reflects Federal Mogul share per 9 Partition Agreement November 2004." 10 Do you have an understanding that's 11 the reference of the Partition Agreement we 12 talked about earlier today? 13 A That seems to be what it is, yes. 14 Q Next notation is "Exhaustion 15 assumed per correspondence between carriers 16 and bankruptcy counsel." 17 Do you have an understanding of 18 what that means? 19 A Only what those words say. I mean, 20 I understand what that statement says. 21 Q In the context of any discussions 22 between AIG, the joint defense group and 23 Federal Mogul, do you have an understanding 24 of what that means? 25 A Well, again, just that whoever</p>	<p style="text-align: right;">Page 124</p> <p>1 JEFFREY M. WACTLAR 2 to that. There is no issue on that. 3 (Clearwater Exhibit 13, E-mail 4 chain, top e-mail dated Thursday, 5 July 27, 2008, 7:44 p.m., 6 GS CONFIDENTIAL-002108 through 7 GS CONFIDENTIAL-002111, was marked 8 for Identification.) 9 BY MR. KENNEDY: 10 Q Mr. Wactlar, you might want to take 11 a moment to review it and let me know when 12 you are done. 13 A Okay. Okay. 14 Q I think you said earlier that Ted 15 Feldman was the Federal Mogul trust 16 representative? 17 A I think so. 18 Q And this e-mail on the first page 19 of the document is from Ted Feldman, dated 20 July 27, 2006, to David Geronemus. 21 Do you see that? 22 A Yes. 23 Q Do you have an understanding that 24 David Geronemus was the mediator between 25 Federal Mogul and the insured joint defense</p>

<p style="text-align: right;">Page 125</p> <p>1 JEFFREY M. WACTLAR 2 group? 3 A I remember that name by you making 4 that connection. It does make sense to me. 5 Q So yes? 6 A Yes. 7 Q Did you ever have any personal 8 interactions with Mr. Geronemus? 9 A No. 10 Q Did your counsel, that is, Cozen 11 O'Connor, have any interactions with 12 Mr. Geronemus? 13 A I believe so. 14 Q You believe so? 15 A Yes. 16 Q You see in the e-mail that 17 Mr. Feldman makes an offer. He asks 18 Mr. Geronemus to convey an offer of 19 settlement in the first paragraph there of 20 \$99 million? 21 A I see. 22 Q Do you recall this settlement offer 23 being made in and around this time? 24 A I vaguely do. 25 Q Is this the opportunity you were</p>	<p style="text-align: right;">Page 127</p> <p>1 JEFFREY M. WACTLAR 2 understand that AIG's interested in a 3 payment stream rather than a lump sum 4 payment." 5 Do you see that? 6 A I do. 7 Q Do you recall that being discussed? 8 A I do. 9 Q And did you ask counsel to convey 10 that to Federal Mogul representatives? 11 A I think we did. 12 Q And what was the reason for a 13 payment stream as opposed to a lump sum 14 payment? 15 A It's just something that we viewed 16 as a favorable term in a settlement. 17 It allowed -- it allowed you to 18 hold your money longer, so settling it for 19 payments over time was a more advantageous 20 settlement. 21 Q In that discussion, did that come 22 up in the context of Union Carbide, for 23 example? 24 A Yes. 25 Q Did it come up in the context of</p>
<p style="text-align: right;">Page 126</p> <p>1 JEFFREY M. WACTLAR 2 talking about for the AIG companies to 3 settle out? 4 A I think this was sort of the 5 beginning of the period in time where we 6 started the ball rolling, yes. 7 Q And do you recall discussing this 8 offer within AIG? 9 A I recall having several 10 conversations with Steve Parness where we 11 were talking about some offers back and 12 forth. It's hard for me to remember this 13 exact one. 14 Q Okay. 15 I mean, do you have a general 16 recollection as to what the reaction was of 17 yourself and Mr. Parness to a \$99 million 18 offer? 19 A No. 20 Q Now you see in the second 21 paragraph, although there's no space, 22 beginning with "In calculating this 23 offer ..."? 24 A Yes. 25 Q It says in the second sentence, "We</p>	<p style="text-align: right;">Page 128</p> <p>1 JEFFREY M. WACTLAR 2 Cangolleium? 3 A It probably did. 4 Q So this is not an uncommon 5 discussion when you consider settlement on 6 these asbestos accounts, right? 7 A No, it's not. 8 Q And you considered the pros and 9 cons of a payment stream versus a lump sum 10 payment in settlement? 11 A Yes. 12 Q And presumably, the advantage of 13 holding on to the money over a period of 14 time is something to do with AIG's own rate 15 of return on its capital; is that right? 16 MR. LASKY: Object to the form. 17 A Well, the way we looked at it was 18 we were able to view it from a net present 19 value approach and so perhaps we're saying 20 the same thing, but there was a monetary 21 advantage to have payment over time. 22 Q If you have an amount of money and 23 you pay that over a period of time, that 24 nominal amount has a net present value, 25 doesn't it?</p>

32 (Pages 125 to 128)

<p style="text-align: right;">Page 137</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 A I do.</p> <p>3 Q Do you know what that refers to?</p> <p>4 A You know, I remember -- I think it</p> <p>5 was Vellumoid, they were smaller deals I</p> <p>6 think that were done. For Cooper. I</p> <p>7 actually had the Cooper account for a while.</p> <p>8 The Vellumoid account does not look</p> <p>9 familiar to me, although I vaguely remember</p> <p>10 that name. But I believe those are smaller</p> <p>11 deals, like a million or under, that were</p> <p>12 done contemporaneous or around the same time</p> <p>13 as this. So I think that's probably what</p> <p>14 that's referring to.</p> <p>15 Q When you say you had the Cooper</p> <p>16 account, is that with respect to asbestos?</p> <p>17 A I think so, yes.</p> <p>18 Q You understand that they, Cooper,</p> <p>19 in addition to Federal Mogul was making</p> <p>20 claims under the Granite State McGraw-Edison</p> <p>21 policies?</p> <p>22 A I do have a vague recollection of</p> <p>23 that, yes.</p> <p>24 Q Do you have an understanding that</p> <p>25 Cooper actually purchased McGraw-Edison</p>	<p style="text-align: right;">Page 139</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 offer or was it specific to AIG companies?</p> <p>3 A I recall that at this time -- we</p> <p>4 talked about this before -- this opportunity</p> <p>5 arose to discuss settlement.</p> <p>6 At this point, it was just the AIG</p> <p>7 member companies.</p> <p>8 Q Now, looking at the cc's on this</p> <p>9 e-mail, Robert Horkavitch. Do you know who</p> <p>10 he was?</p> <p>11 A I don't.</p> <p>12 Q How about Ann Kramer?</p> <p>13 A I don't know.</p> <p>14 Q James P. Hughes?</p> <p>15 A That name is familiar, but I don't</p> <p>16 recall who it is.</p> <p>17 Q Was it a Federal Mogul</p> <p>18 representative; do you recall?</p> <p>19 A I don't recall.</p> <p>20 Q How about Bette Orr?</p> <p>21 A No, I don't know.</p> <p>22 Q Moving up on the upper left-hand</p> <p>23 corner of this document, you see *Sangio</p> <p>24 Vasu?</p> <p>25 A Yes.</p>
<p style="text-align: right;">Page 138</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 sometime in the mid-1980s?</p> <p>3 A Yeah, that does sound familiar.</p> <p>4 Q Now, if you go to the front page,</p> <p>5 it's the second paragraph, last sentence</p> <p>6 says "In that regard, we are willing to</p> <p>7 consider any proposal that AIG has in</p> <p>8 response to our demand."</p> <p>9 Do you see that?</p> <p>10 A I do.</p> <p>11 Q And this demand was made in</p> <p>12 July 2006, right?</p> <p>13 A Yeah, that's the dates of the</p> <p>14 e-mail.</p> <p>15 Q Did AIG make a counteroffer to this</p> <p>16 demand?</p> <p>17 A It's likely.</p> <p>18 Q Do you know what it was?</p> <p>19 A I don't.</p> <p>20 Q Do you know how far from the time</p> <p>21 this offer was made that the AIG</p> <p>22 counteroffer was made?</p> <p>23 A I don't.</p> <p>24 Q Do you know if it was in the</p> <p>25 context of the joint defense group global</p>	<p style="text-align: right;">Page 140</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 Q Do you know who that is?</p> <p>3 A I don't.</p> <p>4 Q What about Elizabeth Hanke?</p> <p>5 A No.</p> <p>6 Q Samantha Martin?</p> <p>7 A No.</p> <p>8 Q Jonathan Varzally?</p> <p>9 A No.</p> <p>10 Q Looking at the third paragraph</p> <p>11 where Mr. Feldman says "In addition, in</p> <p>12 response to Tom which Wilkinson's request,</p> <p>13 we attached a policy listing."</p> <p>14 And if you go to 2110 and 2111, you</p> <p>15 see a policy listing there?</p> <p>16 A Yes.</p> <p>17 Q Do you recall Mr. Wilkinson making</p> <p>18 that request?</p> <p>19 A No.</p> <p>20 Q Do you have an understanding that</p> <p>21 the policies attached to this e-mail were</p> <p>22 the policies that were the subject of</p> <p>23 Federal Mogul's settlement offer?</p> <p>24 A Well, that would be consistent with</p> <p>25 that type of request; in other words, we all</p>

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1 JEFFREY M. WACTLAR
2 want to be on the same page, so give us a
3 spreadsheet of the policies you feel are in
4 play.

5 Q Was there a general agreement when
6 this list was received that these were the
7 policies at issue?

8 A I would say it's likely.

9 MR. KENNEDY: Mark as
10 Clearwater Exhibit 14, it is a
11 document entitled Alan Gray. Inc.,
12 88 Broad Street, Boston,
13 Massachusetts.

14 Bates-stamped 3GRANITE
15 STATE-007494.

16 (Clearwater Exhibit 14,
17 Document headed Alan Gray. Inc.,
18 88 Broad Street, Boston,
19 Massachusetts, 3GRANITE
20 STATE-007494, was marked for
21 Identification.)

22 BY MR. KENNEDY:

23 Q My question to you, Mr. Wactlar,
24 is: Have you seen this document before?

25 A I don't recall seeing it.

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1 JEFFREY M. WACTLAR

2 Q You see the handwriting there?

3 A I do.

4 Q What is that, do you know, in
5 reference to?

6 A You mean the cross-out of Patrick
7 Sweeney's name and then my name put there?

8 Q Yes.

9 A I can't say with a hundred percent
10 certainty but it's likely when this came in
11 this was my file, so whoever received it in
12 the mailroom or perhaps my claims assistant
13 crossed out Patrick Sweeney's name and wrote
14 my name there.

15 Or it's possible that I may have
16 called -- that Alan Gray may have
17 realized -- that somebody at Alan Gray may
18 have just handwritten my name there.

19 Q And it looks like there is a claim
20 number there and handwriting.

21 Do you see that?

22 A Yes.

23 Q Do you know what claim number that
24 refers to?

25 A I don't know with specificity but

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1 JEFFREY M. WACTLAR

2 it's likely it's a Federal Mogul claim
3 number.

4 170 was a prefix for the toxic tort
5 department.

6 Q And you see the entries on this
7 invoice.

8 Do you know who K.A.H. was?

9 A I don't.

10 Q Or Jay Walker?

11 A It's possible it could have been --
12 it's possible that could be me, they spelled
13 my name terribly wrong.

14 Q And it said "Telephone conversation
15 with Jay Walker at AGTS regarding audit."

16 Do you see that?

17 A Yes.

18 Q Do you know what the reference to
19 audit was?

20 A I don't.

21 Q N.V., do you know who N.V. was?

22 A No.

23 Q And P.B.L.?

24 A No.

25 Q And there's P.B.L., there's

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1 JEFFREY M. WACTLAR

2 actually "Review and organize all notices of
3 loss in the spreadsheet."

4 Do you see that?

5 A I do.

6 Q What's that in reference to?

7 A I can't say with specificity but it
8 would be consistent with a request for
9 assistance by Alan Gray to do just that,
10 review and organize all notices of loss into
11 a spreadsheet.

12 Q And that would be notices of loss
13 under AIG's policies?

14 A Likely, yes.

15 Q Do you recall receiving a
16 spreadsheet like that?

17 A Not specifically.

18 Q And that would be -- that would be
19 a spreadsheet that identified and dated the
20 notices of loss?

21 A It might be.

22 I mean, this sort of thing would be
23 consistent with my efforts to organize the
24 file.

25 And like I said before, get up to

36 (Pages 141 to 144)

<p style="text-align: right;">Page 145</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 speed with it.</p> <p>3 Q And then the last entry was "N.V.,</p> <p>4 review all documentation to prepare summary</p> <p>5 report."</p> <p>6 Do you see that?</p> <p>7 A I do.</p> <p>8 Q Do you recall receiving a summary</p> <p>9 report?</p> <p>10 A Not specifically but it would not</p> <p>11 be unusual for me to receive a summary</p> <p>12 report from Alan Gray.</p> <p>13 Q And so, by December of 2007, Alan</p> <p>14 Gray was working on the Federal Mogul</p> <p>15 account?</p> <p>16 A Yes.</p> <p>17 Q Did you specifically retain them?</p> <p>18 A I think they were retained before I</p> <p>19 got the file.</p> <p>20 Q But these entries here look like</p> <p>21 something that you would request to get your</p> <p>22 arms around the file?</p> <p>23 A They did.</p> <p>24 MR. KENNEDY: Can we take a</p> <p>25 two-minute break.</p>	<p style="text-align: right;">Page 147</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 Q Do you know whose handwriting that</p> <p>3 is?</p> <p>4 A Well, it's probably the handwriting</p> <p>5 from whoever opened this file -- well, this</p> <p>6 could have been my claims assistant or</p> <p>7 somebody in that central intake department.</p> <p>8 Q And the Number 170, you said that's</p> <p>9 the -- on the right-hand side of the</p> <p>10 document?</p> <p>11 A Yes.</p> <p>12 Q That's the toxic tort department,</p> <p>13 that denotes the toxic tort department?</p> <p>14 A Yes.</p> <p>15 Q And the 05344.</p> <p>16 Do you see that number?</p> <p>17 A Yes.</p> <p>18 Q Can you tell us what that is?</p> <p>19 A That would have been the claim</p> <p>20 number -- the second part of the claim</p> <p>21 number. 170 dash and then the 05344 would</p> <p>22 have been the main part of the claim number.</p> <p>23 Q And that's the Federal Mogul claim</p> <p>24 number?</p> <p>25 A Well, I can't -- I mean, the</p>
<p style="text-align: right;">Page 146</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 (A brief recess was</p> <p>3 taken.)</p> <p>4 MR. KENNEDY: Mark as</p> <p>5 Clearwater Exhibit 15, a document</p> <p>6 that is entitled Insured</p> <p>7 McGraw-Edison Claimant, Agg Tox</p> <p>8 Asbestos Policy, Term 3-1-80 to</p> <p>9 3-1-81.</p> <p>10 Bates-stamped GRANITE SITE-009034</p> <p>11 to 9041.</p> <p>12 (Clearwater Exhibit 15,</p> <p>13 Insured McGraw-Edison Claimant, Agg</p> <p>14 Tox asbestos Policy, Term 3-1-80 to</p> <p>15 3-1-81, GRANITE SITE-009034 through</p> <p>16 GRANITE SITE-009041, was marked for</p> <p>17 Identification.)</p> <p>18 BY MR. KENNEDY:</p> <p>19 Q Mr. Wactlar, take your time to look</p> <p>20 at this, but my first question to you is:</p> <p>21 Do you recognize this document?</p> <p>22 A I do recognize this document.</p> <p>23 Q Now, starting with the first page,</p> <p>24 is that your handwriting?</p> <p>25 A No.</p>	<p style="text-align: right;">Page 148</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 insurer's McGraw-Edison, so in all</p> <p>3 likelihood, that was the Federal Mogul claim</p> <p>4 number.</p> <p>5 Q And this is a hard copy document</p> <p>6 somewhere at AIG?</p> <p>7 A This looks like it's a photocopy of</p> <p>8 a green folder which would exist somewhere.</p> <p>9 Q And what's the significance of a</p> <p>10 green folder?</p> <p>11 A Green folder is coming to -- that</p> <p>12 was the color that the toxic tort department</p> <p>13 used for folders, for claim folders.</p> <p>14 Q And it was coming to the toxic tort</p> <p>15 department, is that what you are saying?</p> <p>16 A Yes.</p> <p>17 Q And coming from the claim intake</p> <p>18 department?</p> <p>19 A Right.</p> <p>20 Q And so this means that a file claim</p> <p>21 number or a claim file was being set up for</p> <p>22 this claim?</p> <p>23 A Correct.</p> <p>24 Q Now, if you turn the page, you see</p> <p>25 the last name appears in handwriting.</p>

<p style="text-align: right;">Page 149</p> <p>1 JEFFREY M. WACTLAR 2 Do you see that? 3 A Yes. 4 Q Do you know whose handwriting that 5 is? 6 A That was probably CID, central 7 intake department. 8 Q And it says "Toxic tort reassigned 9 pending, dated 4-14-2008." 10 Do you see that? 11 A Yes. 12 Q And then says "From adjustor 13 Jessica Martin to adjuster Steve Parness." 14 Do you see that? 15 A Yes. 16 Q What is the significance of this? 17 A This is an internal sort of a 18 transferred document showing that this claim 19 number was opened up, Jessica Martin was the 20 file handler in the claims intake department 21 who opened it. 22 She was transferring it to my AVP, 23 Steve Parness. And it was probably 24 hand-delivered down to Steve Parness. 25 Q So Jessica Martin, she's in Jersey</p>	<p style="text-align: right;">Page 151</p> <p>1 JEFFREY M. WACTLAR 2 policy. 3 Q And it says "date 4-7-08." That's 4 the date it was created? 5 A The date they received it and, 6 yeah, probably the date they created it. 7 Close to that date. 8 Q And down below it has an ECS claim 9 number. 10 Do you see that on the left-hand 11 side just about a third of the way -- I'd 12 say a fifth of the way down? 13 A Right. 14 Q What is that? 15 A I think that's just the policy 16 number. 17 That corresponds with the copy in 18 the front. 19 Q So that looks like the claim 20 number? 21 A Yes. 22 Q And then it identifies further 23 down, about two-thirds the way down, that 24 the suit claimant is Aggregate Tox Asbestos? 25 A That's right the.</p>
<p style="text-align: right;">Page 150</p> <p>1 JEFFREY M. WACTLAR 2 City? 3 A I don't know if she still is, but 4 she was at the time. 5 Q And if you turn the page, there's a 6 document entitled FNOL Cover Sheet-CID. 7 Do you see that? 8 A I do. 9 Q What is that? 10 A First notice of loss, cover sheet 11 CID. 12 This would be a document that I was 13 describing to you before as something that I 14 would fill out and send to CID to open up a 15 claim file. This would be that sheet. 16 Q Okay. 17 A So it's deceiving because "first 18 notice of loss" doesn't really mean the 19 first time the company is getting it, it 20 just means that it's the first time it's 21 going to CID. 22 Q So when you say it's not 23 necessarily the first time the company is 24 getting it, you mean notice of a loss? 25 A Or of a particular account or claim</p>	<p style="text-align: right;">Page 152</p> <p>1 JEFFREY M. WACTLAR 2 Q And it identifies the policy number 3 there below that? 4 A That's right. 5 Q And that's for McGraw-Edison? 6 A Yes. 7 Q And below that it identifies the 8 policy term? 9 A Right. The effective dates. 10 Q And then it says "assigned to" at 11 the bottom and it looks like handwritten 12 note "Martin"? 13 A Right. 14 Q And then it says James Hendrin? 15 A Hendrin, yes. 16 Q Who is that? 17 A James Hendrin is an AVP in the 18 claims intake department. That would have 19 been him stamping it in and writing it's 20 going to Martin, who was -- we talked about 21 earlier who probably actually did the data 22 entry to input this and create this claim 23 number. 24 Q Okay. If you go to actually 9038 25 and you look at the top and then you flip</p>

<p style="text-align: right;">Page 153</p> <p>1 JEFFREY M. WACTLAR 2 back to look at the very bottom of 9037 3 where it says "branch case" and then you 4 flip over and it says "written by Jim 5 Hendrin"? 6 A Right. 7 Q "Please set up this asbestos case." 8 And that refers to what exactly? 9 A Exactly opening up this claim 10 number. 11 Q On this policy? 12 A Yes. 13 Q And then if you go to 9037, you see 14 a note says "Branch 170, Case 53344, was 15 written by Jessica Martin." Says "Note 16 title SEG TECH initial note." 17 What is the "SEG TECH initial 18 note"? 19 A Segmentation technician, who was 20 Jessica Martin, so segmentation being 21 essentially the claims intake person. 22 Q And it says, the note, "Policy 23 Number 66801963 needs MJC 012 added." 24 A Yes. 25 Q What does that mean?</p>	<p style="text-align: right;">Page 155</p> <p>1 JEFFREY M. WACTLAR 2 Do you know what that is? 3 A Probably the department that puts 4 that major class code into the computer 5 system. 6 Q And if you go on top just directly 7 above that, it's notes by Jessica Martin, it 8 appears. And she writes "Shell and coding 9 completed 4-11." 10 A I mentioned that earlier, the shell 11 and coding, I was giving an example of a 12 slip that we had, a participation in a 13 London Market policy. They need to be 14 shelled and coded; in other words, they 15 needed to be opened up in the computer 16 system. 17 In other words, a policy gets 18 shelled and coded when there's a claim 19 number opened up on it for the first time. 20 That just means it's added into the computer 21 system. 22 I don't know specifically what 23 "shelled and coded" means, but I was just 24 always under the impression that gets 25 entered into the computer system.</p>
<p style="text-align: right;">Page 154</p> <p>1 JEFFREY M. WACTLAR 2 A Major class code. 3 Q What's Major Class Code 012? 4 A There were and still are internal 5 AIG codes that we would give to 6 particular -- whenever we set up a claim 7 file or claim number, and it would refer to 8 things like is it a products claim, a 9 nonproducts claim and it just helped to run 10 reports and things like that. 11 Q So I mean is this -- so the 12, is 12 that for a products claim? 13 A Probably, yeah. It's probably a 14 products claim. 15 Q Could it be an asbestos claim? 16 A There were different codes. 17 Asbestos would have been a code. Major 18 class code would refer to something else. 19 We've changed the way that this is 20 done now, so it's not as fresh in my mind. 21 We used to be more responsible for 22 doing these things. Now the claim intake 23 department do a lot more themselves. 24 Q This says "Sent a request to 25 MJ Claims."</p>	<p style="text-align: right;">Page 156</p> <p>1 JEFFREY M. WACTLAR 2 Q And then above that, you see 3 "Refreshed into TTAAS." 4 We know that to be the toxic tort 5 accounting system? 6 A Yes. 7 Q It says "Open for a dollar. 8 Reassigned to Steve Parness." 9 Do you have an understanding of 10 whether in fact a reserve was open for 11 dollar on this? 12 A If it says so here, it was. 13 Q Do you know why it was open for a 14 dollar? 15 A Just a statistical reserve for a 16 claim file. 17 Q When you say "statistical reserve," 18 what does that mean? 19 A It just means something has to be 20 there to open a claim number. A dollar, ten 21 dollars, some amount. 22 Q Could it be zero amount? 23 A No, it had to be a dollar amount. 24 Q Now, if you now go to, please, 25 9039.</p>

<p style="text-align: right;">Page 157</p> <p>JEFFREY M. WACTLAR And you see this is something "MS case creation worksheet," it appears? A Yes. Q Do you know what the "MS" is? Is that LMS? A I think it is LMS, actually. Q And what is the significance of this document? A This is what CID generates when they open up a claim file. Q And you see your name as the adjuster? A I do. Q Did you have any input in creating this document? A Actually, this is the document that I created. I created that document. Q Okay. A The sheet that CID creates is -- the one in the front is 9036. This is the document that I fill out and send up to CID to open a claim file. Q Do you know what "LMS" stands for?</p>	<p style="text-align: right;">Page 159</p> <p>JEFFREY M. WACTLAR back to a long time ago where AIG had smaller claims and it was a way for them to track when first report -- when the company was first noticed of a claim. But how 2-11-08 got in there or "broker" got in there, I don't know. That may have just been a random date that I put in to get the claim opened up. Q Because in fact, Federal Mogul had been seeking coverage under this for a long time. A Clearly we knew about this long before, right. Q And then if you look at PUA1 -- A Right. Q -- AIA code. What? A Those were those codes that I was talking about before. All these codes have meaning and one of it means that it's asbestos. I think MD stands for asbestos, I don't know what NA stands for. Q Yeah, we're looking at two different -- I'm looking on top?</p>
<p style="text-align: right;">Page 158</p> <p>JEFFREY M. WACTLAR A I'd say it's like litigation management -- something. Q And if you look at this, it doesn't seem to be any claim number on it actually, right? A Right. Q So it identifies the policy and effective dates but not a claim number? A That's right. Then they would generate the document that is Bates 9036 and that has the claim number on it. Q And then it says "Date reported 2-11-08." Do you see that? A Right. Q And "broker," ex'ed out? A Yes. Q And "Date received 2-11-08." A Yes. Q What's the significance of the 2-11-08? A That's just an internal document -- those numbers were -- the date reported goes</p>	<p style="text-align: right;">Page 160</p> <p>JEFFREY M. WACTLAR A ELAF. Those are more codes. There is a chart somewhere that I used to keep at my desk and it would have, you know, PUA1A and I would look on the chart, I'd find it and I would write it down. Q So PUA5A1 AIA code which you were just talking about earlier, that's just more code? A Yes. Q If you go down to the Indemnity Reserve box. Do you see that on the left-hand side of the document? A Yes. Q What do those entries mean? "Other AIG RM"? A Those are all prepopulated. They are just there on the form. I don't know. Those I think also go back to some historic use for this document which we never used in the asbestos department. Not that I know of.</p>

40 (Pages 157 to 160)

<p style="text-align: right;">Page 161</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 Q So they were there when you got</p> <p>3 there?</p> <p>4 A They were just on the form.</p> <p>5 Q Did you create this on the</p> <p>6 computer?</p> <p>7 A Yeah. We have this in electronic</p> <p>8 form. I fill out the basic information and</p> <p>9 then ship it off to the claims intake</p> <p>10 department.</p> <p>11 Q And what's the Legal Reserve box.</p> <p>12 Do you see that?</p> <p>13 A Yes.</p> <p>14 Again, those are all prepopulated.</p> <p>15 Those are codes which I'm not sure really</p> <p>16 are used currently.</p> <p>17 Q And if you go down to the box</p> <p>18 "Reserve Type."</p> <p>19 Do you see that?</p> <p>20 A Yes.</p> <p>21 Q 001 on the left-hand side?</p> <p>22 A Yes.</p> <p>23 Q And then 002 on the right-hand</p> <p>24 side?</p> <p>25 A Yes.</p>	<p style="text-align: right;">Page 163</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 Q Do you see the references in the</p> <p>3 middle of the page to policy number?</p> <p>4 A Yes.</p> <p>5 Q That's the McGraw-Edison policy,</p> <p>6 right?</p> <p>7 A Yes.</p> <p>8 Q And then it identifies the insured</p> <p>9 in the next line.</p> <p>10 A Yes.</p> <p>11 Q Then it identifies "A/S co."</p> <p>12 Do you see that?</p> <p>13 A Yes.</p> <p>14 Q What does "A/S" mean?</p> <p>15 A I don't know.</p> <p>16 Q And you see that reference to</p> <p>17 "major classes, 012"?</p> <p>18 A Yes.</p> <p>19 Q Is that the same thing we were</p> <p>20 talking about earlier?</p> <p>21 A Yes, major class code.</p> <p>22 Q And then it says Division 43?</p> <p>23 A Yes.</p> <p>24 Q What's the division?</p> <p>25 A I believe that's the underwriting</p>
<p style="text-align: right;">Page 162</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 Q What are these entries?</p> <p>3 A Reserve Type under 001, you'll see</p> <p>4 an "I," that's indemnity reserve.</p> <p>5 And then 002, you'll see the "L,"</p> <p>6 these a legal reserve.</p> <p>7 So I put \$5,000 just to open --</p> <p>8 remember I said before there needs to be</p> <p>9 some dollar amount. Even though I wrote</p> <p>10 that "\$5,000 CID" just beside the dollars,</p> <p>11 these are sort of random numbers just to get</p> <p>12 the claim file open.</p> <p>13 Q And it appears to you that you</p> <p>14 created this on or around March 3, 2008?</p> <p>15 A Yes.</p> <p>16 Q And then if you turn to the last</p> <p>17 page, there's a Claims Administration sheet.</p> <p>18 A Right.</p> <p>19 Q Bates stamp 9041.</p> <p>20 A Yes.</p> <p>21 Q Says "Shelling Request Form."</p> <p>22 Do you know who created this?</p> <p>23 A No.</p> <p>24 Q Do you know whose handwriting?</p> <p>25 A No.</p>	<p style="text-align: right;">Page 164</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 division.</p> <p>3 Q And what division is that?</p> <p>4 A I don't know. Again, there's a</p> <p>5 chart with division numbers and then the</p> <p>6 actual name of the division.</p> <p>7 Q And is the division name, is it a</p> <p>8 company name or is it like a unit name?</p> <p>9 A No, it's usually a company name.</p> <p>10 Q Now, going back to your LMS case</p> <p>11 creation worksheet.</p> <p>12 Why are you setting it up at this</p> <p>13 time?</p> <p>14 A Because this was probably an</p> <p>15 example of what we talked about earlier, me</p> <p>16 needing to create this claim number in order</p> <p>17 to start raising reserves in anticipation of</p> <p>18 a possible settlement.</p> <p>19 Q So your expectation -- let me</p> <p>20 withdraw that.</p> <p>21 Do you recall that in and around</p> <p>22 March of '08 settlement discussions were</p> <p>23 progressing?</p> <p>24 A It's likely. If I was filling this</p> <p>25 out, it's probably connected to that.</p>

41 (Pages 161 to 164)

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JEFFREY M. WACTLAR

Q Okay.

MR. KENNEDY: I'm going to mark Clearwater Exhibit 16, which is the same type of document as 15. It's titled Insured McGraw-Edison Claimant, Agg-Tox Asbestos Policy, Term 3-1-81 through 3-1-82.

(Clearwater Exhibit 16, Insured McGraw-Edison Claimant, Agg-Tox Asbestos Policy, Term 3-1-81 through 3-1-82, GRANITE SITE-009026 to GRANITE SITE-009033, was marked for Identification.)

MR. KENNEDY: Bates Numbers GRANITE SITE-9026 to 9033.

As you are looking at that, I'm going to mark as Clearwater Exhibit 17, same type of document. Same title except the policy term is 3-1-82 to 3-1-83.

Bates Numbers GRANITE SITE-9018 to 9025.

(Clearwater Exhibit 17, Insured McGraw-Edison Claimant, Agg-Tox Asbestos Policy, Term

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JEFFREY M. WACTLAR

Q Did you personally identify them or did you do that in consultation with anyone else?

A In consultation with others.

Q Who are the others?

A Well, I would have spoken to Steve Parness, the Cozen firm and possibly a consultant like Alan Gray or Campos & Stratis.

I know that I had retained Campos & Stratis at some point. I don't know if it was at this point or later.

MR. KENNEDY: Let's mark as Clearwater Exhibit 18.

It's a series of e-mails.

The top one is from Mr. Wactlar to Shanon Mumford dated March 12, 2008. And the Bates range is 3GRANITE-7332 to 7335.

(Clearwater Exhibit 18, E-mail chain, top e-mail dated Wednesday, March 12, 2008, 4:21 p.m., 3GRANITE-7332 to 3GRANITE-7335, was marked for Identification.)

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JEFFREY M. WACTLAR

3-1-82 through 3-1-83, GRANITE SITE-009018 to GRANITE SITE-009025, was marked for Identification.)

BY MR. KENNEDY:

Q Mr. Wactlar, if you can just look at Exhibit 16 and Exhibit 17, my question is: Is this the same type of case creation or claim creation paperwork for the '81/82 policy and the '82/83 policy that is the same as Exhibit 15?

A It is.

Q Okay.

Just to round this out, you would have been requesting the claim file creation for these policies because of settlement discussions between AIG companies and Federal Mogul?

A The need to start raising reserves as a result of impending settlement discussions.

Q And you recall identifying these policies as the policies that would be at issue in the settlement with Federal Mogul?

A I do.

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JEFFREY M. WACTLAR

BY MR. KENNEDY:

Q Mr. Wactlar, again, please take all the time you'd like to look at these pages of documents, but I want to focus your attention at first on the second page and it's your e-mail to DL Media Altino of March 12, 2008.

Who is Altino?

A He's in the claims intake department.

I'm not sure if he's an AVP or analyst but he's in that department.

Q You say, "Hi, Tino, here are several case creates we need opened for an upcoming settlement."

Do you see that?

A Yes.

Q Do you think this e-mail is related to Exhibits 15 through 17 that we just went over?

A Highly likely.

Q So those were part of the case creates, you believe?

A Yes.

42 (Pages 165 to 168)

<p style="text-align: right;">Page 169</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 Q And the "upcoming settlement"</p> <p>3 reference.</p> <p>4 Do you see that?</p> <p>5 A Yes.</p> <p>6 Q What was the settlement status at</p> <p>7 that point in time in March of 2008?</p> <p>8 A Probably getting closer which is</p> <p>9 why I sent it as a rush.</p> <p>10 But I was probably pressuring to go</p> <p>11 through this quickly because I knew we</p> <p>12 needed time to start getting the reserves</p> <p>13 up.</p> <p>14 Q Do you know if the amount in</p> <p>15 question in March of 2008 was around the</p> <p>16 \$99 million offer that Federal Mogul had</p> <p>17 made to AIG previously?</p> <p>18 A I don't remember. I can't remember</p> <p>19 the dollar amounts exactly where we were at</p> <p>20 this point.</p> <p>21 Q So at this point in time, AIG</p> <p>22 believed it likely that the policies for</p> <p>23 which they are opening claims files would be</p> <p>24 impacted to some extent by reason of a</p> <p>25 settlement with Federal Mogul?</p>	<p style="text-align: right;">Page 171</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 numbers aren't always opened up because</p> <p>3 claims intake are sort of trained for the</p> <p>4 basic things and we get a little more</p> <p>5 complicated stuff and we have to explain to</p> <p>6 them that different claim numbers need to be</p> <p>7 opened up and this is what I am doing here.</p> <p>8 Q Why wouldn't AIG just from the get</p> <p>9 go when they identified the policies that</p> <p>10 are the subject of the coverage litigations</p> <p>11 or the mediation/settlement discussions just</p> <p>12 open a claim file for each policy that's</p> <p>13 identified?</p> <p>14 A That's a good question.</p> <p>15 I think it's just the nature of the</p> <p>16 system makes it difficult to do that.</p> <p>17 I think just there's a lot of</p> <p>18 departments involved and it always doesn't</p> <p>19 happen. Sometimes it happens, not always.</p> <p>20 Q Do you recall whether there was a</p> <p>21 main policy used for the Federal Mogul claim</p> <p>22 at AIG when you were handling it?</p> <p>23 A There probably was. There was</p> <p>24 probably something that we referred to as</p> <p>25 "master," master claim number.</p>
<p style="text-align: right;">Page 170</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 A Yes.</p> <p>3 Q Who is Shanon Mumford?</p> <p>4 A Somebody in case creation -- or</p> <p>5 claims intake department.</p> <p>6 She was probably one of the</p> <p>7 technicians there.</p> <p>8 Q And if you go to the first page of</p> <p>9 this document, you see an e-mail from her to</p> <p>10 you?</p> <p>11 A Yes.</p> <p>12 Q And she's talking about having a</p> <p>13 problem with three case creations?</p> <p>14 A Right.</p> <p>15 Q Do you recall what that was about?</p> <p>16 A Yeah, I do.</p> <p>17 There were some issue -- this is</p> <p>18 actually -- this is that example that I was</p> <p>19 talking about that one of them was a</p> <p>20 subscription policy and we were</p> <p>21 participating in a layer and we needed</p> <p>22 different claim numbers for I see there's</p> <p>23 American home and a Lexington policy and I</p> <p>24 was just sort of explanation to her -- you</p> <p>25 see this is a good example of why claim</p>	<p style="text-align: right;">Page 172</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 Q If you look above the Shanon</p> <p>3 Mumford e-mail to you there's one from Judy</p> <p>4 Marotti to you, March 12, and she seems to</p> <p>5 address Ms. Mumford's e-mail to you below.</p> <p>6 Who is Judy Marotti?</p> <p>7 A She was an attorney at Lynberg &</p> <p>8 Watkins.</p> <p>9 MR. LASKY: Objection. This</p> <p>10 particular e-mail looks like it's a</p> <p>11 privileged e-mail and it was produced</p> <p>12 inadvertently.</p> <p>13 MR. KENNEDY: There's nothing</p> <p>14 privileged about this document.</p> <p>15 MR. LASKY: I'm not going to</p> <p>16 let him answer questions regarding</p> <p>17 conversations he had -- privileged</p> <p>18 conversations he had with counsel.</p> <p>19 MR. KENNEDY: I understand that</p> <p>20 but nothing in this document is</p> <p>21 privileged. There's no legal advice</p> <p>22 being requested and there's no legal</p> <p>23 advice being given.</p> <p>24 MR. LASKY: I'm not going to</p> <p>25 let him answer questions about</p>

43 (Pages 169 to 172)

<p style="text-align: right;">Page 169</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 Q And the "upcoming settlement"</p> <p>3 reference.</p> <p>4 Do you see that?</p> <p>5 A Yes.</p> <p>6 Q What was the settlement status at</p> <p>7 that point in time in March of 2008?</p> <p>8 A Probably getting closer which is</p> <p>9 why I sent it as a rush.</p> <p>0 But I was probably pressuring to go</p> <p>1 through this quickly because I knew we</p> <p>2 needed time to start getting the reserves</p> <p>3 up.</p> <p>4 Q Do you know if the amount in</p> <p>5 question in March of 2008 was around the</p> <p>6 \$99 million offer that Federal Mogul had</p> <p>7 made to AIG previously?</p> <p>8 A I don't remember. I can't remember</p> <p>9 the dollar amounts exactly where we were at</p> <p>0 this point.</p> <p>1 Q So at this point in time, AIG</p> <p>2 believed it likely that the policies for</p> <p>3 which they are opening claims files would be</p> <p>4 impacted to some extent by reason of a</p> <p>5 settlement with Federal Mogul?</p>	<p style="text-align: right;">Page 171</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 numbers aren't always opened up because</p> <p>3 claims intake are sort of trained for the</p> <p>4 basic things and we get a little more</p> <p>5 complicated stuff and we have to explain to</p> <p>6 them that different claim numbers need to be</p> <p>7 opened up and this is what I am doing here.</p> <p>8 Q Why wouldn't AIG just from the get</p> <p>9 go when they identified the policies that</p> <p>10 are the subject of the coverage litigations</p> <p>11 or the mediation/settlement discussions just</p> <p>12 open a claim file for each policy that's</p> <p>13 identified?</p> <p>14 A That's a good question.</p> <p>15 I think it's just the nature of the</p> <p>16 system makes it difficult to do that.</p> <p>17 I think just there's a lot of</p> <p>18 departments involved and it always doesn't</p> <p>19 happen. Sometimes it happens, not always.</p> <p>20 Q Do you recall whether there was a</p> <p>21 main policy used for the Federal Mogul claim</p> <p>22 at AIG when you were handling it?</p> <p>23 A There probably was. There was</p> <p>24 probably something that we referred to as</p> <p>25 "master," master claim number.</p>
<p style="text-align: right;">Page 170</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 A Yes.</p> <p>3 Q Who is Shanon Mumford?</p> <p>4 A Somebody in case creation -- or</p> <p>5 claims intake department.</p> <p>6 She was probably one of the</p> <p>7 technicians there.</p> <p>8 Q And if you go to the first page of</p> <p>9 this document, you see an e-mail from her to</p> <p>0 you?</p> <p>1 A Yes.</p> <p>2 Q And she's talking about having a</p> <p>3 problem with three case creations?</p> <p>4 A Right.</p> <p>5 Q Do you recall what that was about?</p> <p>6 A Yeah, I do.</p> <p>7 There were some issue -- this is</p> <p>8 actually -- this is that example that I was</p> <p>9 talking about that one of them was a</p> <p>0 subscription policy and we were</p> <p>1 participating in a layer and we needed</p> <p>2 different claim numbers for I see there's</p> <p>3 American home and a Lexington policy and I</p> <p>4 was just sort of explanation to her -- you</p> <p>5 see this is a good example of why claim</p>	<p style="text-align: right;">Page 172</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 Q If you look above the Shanon</p> <p>3 Mumford e-mail to you there's one from Judy</p> <p>4 Marotti to you, March 12, and she seems to</p> <p>5 address Ms. Mumford's e-mail to you below.</p> <p>6 Who is Judy Marotti?</p> <p>7 A She was an attorney at Lynberg &</p> <p>8 Watkins.</p> <p>9 MR. LASKY: Objection. This</p> <p>10 particular e-mail looks like it's a</p> <p>11 privileged e-mail and it was produced</p> <p>12 inadvertently.</p> <p>13 MR. KENNEDY: There's nothing</p> <p>14 privileged about this document.</p> <p>15 MR. LASKY: I'm not going to</p> <p>16 let him answer questions regarding</p> <p>17 conversations he had -- privileged</p> <p>18 conversations he had with counsel.</p> <p>19 MR. KENNEDY: I understand that</p> <p>20 but nothing in this document is</p> <p>21 privileged. There's no legal advice</p> <p>22 being requested and there's no legal</p> <p>23 advice being given.</p> <p>24 MR. LASKY: I'm not going to</p> <p>25 let him answer questions about</p>

<p style="text-align: right;">Page 173</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 privileged conversations with</p> <p>3 counsel.</p> <p>4 MR. KENNEDY: That's fine.</p> <p>5 If I ask questions that asked for</p> <p>6 privileged information -- I won't, but if</p> <p>7 I do, then his nonresponse is fine with</p> <p>8 me, but I'm not going to be asking</p> <p>9 questions about privileged information.</p> <p>0 I'm asking about this information which</p> <p>1 is not privileged.</p> <p>2 Q So Mr. Wactlar, Judy Marotti writes</p> <p>3 to you explaining this issue about case</p> <p>4 creations and the trouble that Ms. Mumford's</p> <p>5 having?</p> <p>6 A Not so much about the case</p> <p>7 creations. More about the substantive</p> <p>8 nature of -- looks like we've got</p> <p>9 two-layer -- each two-layer policies, and</p> <p>0 then it looks like she talks a little bit</p> <p>1 about how payments will be made.</p> <p>2 Q And that's my question.</p> <p>3 It's why is Ms. Marotti weighing in</p> <p>4 at this point?</p> <p>5 A Judy Marotti was an attorney at</p>	<p style="text-align: right;">Page 175</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 A Yes.</p> <p>3 Q And it's because you had that</p> <p>4 certain dollar amount in mind that you were</p> <p>5 identifying these policies as policies to be</p> <p>6 impacted by the settlement?</p> <p>7 A That's probably the case.</p> <p>8 Q And Ms. Marotti having historical</p> <p>9 information at Lynberg & Watkins, in</p> <p>10 addition to that, what is Lynberg Watkins'</p> <p>11 role at this point in time?</p> <p>12 A I'll explain this.</p> <p>13 Judy Marotti used to be an AIG</p> <p>14 employee. She used to work for -- under</p> <p>15 Steve Parness in the complex group.</p> <p>16 Judy Marotti was a contract</p> <p>17 employee for a long time because she lived</p> <p>18 in California.</p> <p>19 She then left AIG and went to work</p> <p>20 at Lynberg & Watkins, so that historical</p> <p>21 information may have -- she may have handled</p> <p>22 this file at one point while working at AIG.</p> <p>23 I don't know that for sure, but it's</p> <p>24 possible.</p> <p>25 So I may have been sending her</p>
<p style="text-align: right;">Page 174</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 Lynberg. I already identified her. And</p> <p>3 she's somebody that, as I said earlier, that</p> <p>4 had some historical information about this</p> <p>5 claim and was assisting in sorting out some</p> <p>6 of these issues.</p> <p>7 Q But it says "Payments will be made</p> <p>8 at the 30-million layer and the excess</p> <p>9 \$40-million layer."</p> <p>0 Do you see that?</p> <p>1 A Yes.</p> <p>2 Q So there was some number AIG had</p> <p>3 about making a payment at this point in</p> <p>4 time.</p> <p>5 A No. Actually no, and I'll tell you</p> <p>6 why.</p> <p>7 Well, it's possible, it's possible,</p> <p>8 but it's also possible we knew we would be</p> <p>9 paying -- you may assume for the purpose of</p> <p>0 getting everything opened that we would be</p> <p>1 paying X, whatever it was, 50, 60, 70, so we</p> <p>2 may have been just getting things ready to</p> <p>3 go up to a certain point.</p> <p>4 Q So you think it was likely there</p> <p>5 was a certain point you had in mind?</p>	<p style="text-align: right;">Page 176</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 inquiries with regard to her knowledge, her</p> <p>3 historical knowledge of the file.</p> <p>4 Q And -- but do you know at this</p> <p>5 point whether they were actively working as</p> <p>6 a legal adviser or any other adviser on the</p> <p>7 Federal Mogul settlement?</p> <p>8 A I don't remember the extent of</p> <p>9 their involvement.</p> <p>10 (A brief recess was</p> <p>11 taken.)</p> <p>12 MR. KENNEDY: Mark as</p> <p>13 Clearwater Exhibit 19, e-mail from</p> <p>14 James Dolan to Jeffrey Wactlar dated</p> <p>15 8-11-2008 with attachments and it's</p> <p>16 Bates-stamped GS CONFIDENTIAL-00003</p> <p>17 through 56.</p> <p>18 MR. LASKY: I just warn the</p> <p>19 witness not to disclose any</p> <p>20 privileged discussions between him</p> <p>21 and counsel.</p> <p>22 (Clearwater Exhibit 19, E-mail</p> <p>23 dated August 11, 2008, 5:24 p.m.,</p> <p>24 with attachment, GS CONFIDENTIAL-</p> <p>25 00003 through GS CONFIDENTIAL-</p>

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<p style="text-align: right;">Page 177</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 00056, was marked for</p> <p>3 Identification.)</p> <p>4 BY MR. KENNEDY:</p> <p>5 Q And again, Mr. Wactlar, take as</p> <p>6 much time as you'd like to look through the</p> <p>7 entire document.</p> <p>8 My first question to you is going</p> <p>9 to be whether you recognize it.</p> <p>10 A This is the Brattle Group report.</p> <p>11 Okay.</p> <p>12 Q So you recognize this document?</p> <p>13 A I do. I remember this report.</p> <p>14 MR. LASKY: I just want to</p> <p>15 point out that the slide presentation</p> <p>16 is actually part of this document,</p> <p>17 attachment to the e-mail.</p> <p>18 MR. KENNEDY: It's referenced</p> <p>19 in the e-mail. Take a look.</p> <p>20 It attaches both. The slide</p> <p>21 presentation of August 12, 2005.</p> <p>22 MR. LASKY: Oh, okay. Thanks.</p> <p>23 A I mean, as I said, I can't</p> <p>24 represent that every single page in here was</p> <p>25 something that I read at the time, but I</p>	<p style="text-align: right;">Page 179</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 the size of the Wagner problem," right?</p> <p>3 A Yes.</p> <p>4 Q And it says "along with Brattle's</p> <p>5 August 31, 2005 chart outlining the dollars</p> <p>6 attributable to each AIG company in each</p> <p>7 year from 2005 to 2017."</p> <p>8 Do you see that?</p> <p>9 A I do.</p> <p>10 Q Do you recall looking at the</p> <p>11 estimates of Brattle in their August 31,</p> <p>12 2005 chart?</p> <p>13 A I recall being interested in the</p> <p>14 size of the problem, yes.</p> <p>15 Q Just turning the page to what's</p> <p>16 Bates-stamped as GS CONFIDENTIAL-4.</p> <p>17 You see it's labeled Table 3?</p> <p>18 A Yes.</p> <p>19 Q And it says "Expected value for</p> <p>20 Wagner claims" and it has various numbers,</p> <p>21 four values.</p> <p>22 Do you see that? Two billion,</p> <p>23 1.6 billion, 600 and 400 in the upper</p> <p>24 left-hand corner?</p> <p>25 A Yes.</p>
<p style="text-align: right;">Page 178</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 remember generally this is the Brattle</p> <p>3 report.</p> <p>4 Q Do you recall around this time</p> <p>5 asking Mr. Dolan to send it to you, at least</p> <p>6 the August 2005 report and the allocation</p> <p>7 spreadsheet?</p> <p>8 A I asked -- I don't know if I asked</p> <p>9 Jim for it or if -- I mean, I certainly may</p> <p>10 have asked him for it. I would want my file</p> <p>11 to be complete, so if we had it I would</p> <p>12 probably want it.</p> <p>13 Q Now, at this time in August 2008,</p> <p>14 AIG was putting together a settlement offer</p> <p>15 to Federal Mogul; is that right?</p> <p>16 A Well, this is consistent with what</p> <p>17 we talked about earlier on the offer by --</p> <p>18 rather, the demand by the bankruptcy</p> <p>19 attorneys and we were obviously going to</p> <p>20 counter with some offer.</p> <p>21 Q Now, if you look, Mr. Wactlar, to</p> <p>22 the first page where Mr. Dolan describes</p> <p>23 what he attaches. He attaches, 1, "The</p> <p>24 Brattle August 12, 2005 report to the</p> <p>25 insurers group regarding its estimation of</p>	<p style="text-align: right;">Page 180</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 Q And then it says "The split cover</p> <p>3 insurance"?</p> <p>4 A Yes.</p> <p>5 Q Do you understand that to be a</p> <p>6 reference to the Partitioning Agreement and</p> <p>7 the splitting of the limits?</p> <p>8 A Yes.</p> <p>9 Q And then it says "nominal dollars."</p> <p>10 Do you see that?</p> <p>11 A Yes.</p> <p>12 Q The date is August 31, 2005?</p> <p>13 A Yes.</p> <p>14 Q You go down, Carrier Name, and if</p> <p>15 you go down to that listing, do you</p> <p>16 understand that those are the AIG policies?</p> <p>17 A Yes, they certainly look like it.</p> <p>18 Q And then on the top where Carrier</p> <p>19 Name, it says "Total," so if you go to the</p> <p>20 middle of the top, it says "Available</p> <p>21 Aggregate Limits."</p> <p>22 Do you see that?</p> <p>23 A Yes.</p> <p>24 Q That looks like the number that</p> <p>25 we've been talking about, right? The</p>

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roughly \$151 million available limits for the Federal Mogul claim?

A Yes.

Q And then you see the total, 67 million plus?

A Yes.

Q Do you understand the Table 3 here to be an estimate by Brattle of the total amount -- total impact to their policies of the Wagner asbestos claims in this chart?

A Sort of.

Sixty-seven -- we're assuming total 67 million is the total impactation to the 151, and if that's the case, then yes, that is what this establishes.

Q I mean, if you turn the page, you see the period of time, it's 2005 to 2017?

A Right.

Q And it seems to be same numbers in terms of total available limits and total, right?

A Right.

Q And it looks like that's -- the 67 million plus looks like the total payout

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7, without getting into the specific numbers, but would you agree with me that it appears to be the case that there are other estimates that Brattle was giving with respect to the Wagner asbestos liabilities under AIG policies?

A Yes.

Q And that would be all the way through to GS CONFIDENTIAL-8 to 18?

A Seventeen.

Q Seventeen. Right.

Now, looking at the estimates of the total amount that would be impacted on AIG's available limits, looking at the different amounts, do you have an understanding of what AIG believed the likely outcome or the likely total amount to be at the time in August of 2008, looking at this document?

A No. We didn't use this document to determine what we thought we would ultimately pay.

Q What did you -- what was that determination based upon, if not this

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under the AIG policies under that period of time?

A It does look like that, yes.

Q You agree with me on that?

A Yeah, it certainly looks like that.

Q And if you turn -- and then if you look below, it actually breaks it out by policy what the estimated impact would be to each AIG policy.

Do you see that?

A You mean at Bates Stamp 6?

Q Actually, 4 and 5.

A Well, you mean just to the right.

Q Yeah, below it.

You see the policy numbers identified?

A Yes.

Q It looks like Brattle is estimating a policy-by-policy contribution to the total \$67 million.

A Right. Oh, yes. Right. Yes. I see.

Q Okay.

And if you turn the page to 6 and

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document?

A Well, it was based in part on this document insofar as this document was able to help us identify the size of the problem.

So if we look at the best case scenario that this document told us, which was about \$500 million of asbestos claims, along with our policy limits, along with whatever coverage defenses we had, along with whatever strategy we thought was the right strategy to use or effective strategy, ultimately all those things together helped us come up with what we thought was the settlement agreement.

Q And your understanding is that Brattle did look at all of those factors.

A Yes.

Q And their analysis of those factors is found in this report, you understand that?

A I understand that, yes.

MR. KENNEDY: Mark as Clearwater Exhibit 20, a series of e-mails.

46 (Pages 181 to 184)

<p style="text-align: right;">Page 189</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 where Mr. Dolan forwards an e-mail from</p> <p>3 Mr. Feldman on the first page, where</p> <p>4 Mr. Feldman tells Mr. Dolan that "The trust</p> <p>5 hasn't has not yet begun to process asbestos</p> <p>6 claims."</p> <p>7 A Yes.</p> <p>8 Q And you forwarded that e-mail on to</p> <p>9 Mr. Parness.</p> <p>10 Do you see that?</p> <p>11 A Yes.</p> <p>12 Q And you say "Let's discuss."</p> <p>13 A Yes.</p> <p>14 Q Do you recall generally what those</p> <p>15 discussions were about?</p> <p>16 MR. LASKY: Objection. That's</p> <p>17 privileged information. I won't let</p> <p>18 him answer that question.</p> <p>19 MR. KENNEDY: It's not</p> <p>20 privileged information. If you</p> <p>21 direct him not to answer, Mr. Lasky,</p> <p>22 at your peril I will be applying to</p> <p>23 the Court to get costs for having to</p> <p>24 go through this exercise. I'm asking</p> <p>25 his --</p>	<p style="text-align: right;">Page 191</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 "Well, how much has the trust accumulated</p> <p>3 thus far." And so from here we know -- and</p> <p>4 keeping in mind the nature of the ultimate</p> <p>5 settlement in that it was the hybrid deal,</p> <p>6 this is something we might want to know. So</p> <p>7 to see if they already billed a hundred</p> <p>8 million dollars, then making these</p> <p>9 milestones would be a pointless exercise.</p> <p>10 So we would want to know this information</p> <p>11 for purposes of planning the offer as well.</p> <p>12 Q Right. Okay.</p> <p>13 I mean, wasn't that an issue with</p> <p>14 respect to Federal Mogul that it in fact</p> <p>15 went into bankruptcy in 2001?</p> <p>16 A Yes.</p> <p>17 Q And the general understanding that</p> <p>18 claims at that point in time were stayed</p> <p>19 against the estate, right?</p> <p>20 A Yes.</p> <p>21 Q So there was an issue, wasn't</p> <p>22 there, about really what was the size of the</p> <p>23 problem as to the asbestos claims against</p> <p>24 Federal Mogul, right?</p> <p>25 A That's right.</p>
<p style="text-align: right;">Page 190</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 MR. LASKY: He's not going to</p> <p>3 disclose conversations with his legal</p> <p>4 counsel.</p> <p>5 MR. KENNEDY: Mr. Parness is</p> <p>6 not his legal counsel. It's his</p> <p>7 boss.</p> <p>8 MR. LASKY: I thought you were</p> <p>9 talking about James Dolan.</p> <p>10 MR. KENNEDY: Okay.</p> <p>11 MR. LASKY: I'm sorry.</p> <p>12 A I remember we were gathering</p> <p>13 information in all likelihood to put</p> <p>14 together a request for authority to senior</p> <p>15 management.</p> <p>16 Q And do you recall what you were</p> <p>17 discussing with Mr. Parness about this</p> <p>18 information?</p> <p>19 A It was probably when I looked at</p> <p>20 this it refresh my recollection at this time</p> <p>21 when we were trying to figure out how many</p> <p>22 claims had been actually booked or billed to</p> <p>23 date.</p> <p>24 That might be a question that</p> <p>25 somebody might ask us in a conversation:</p>	<p style="text-align: right;">Page 192</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 Q Because the information was really</p> <p>3 dated from 2001 and prior; is that right?</p> <p>4 A This is typical problem in these</p> <p>5 cases.</p> <p>6 Q And isn't it true that Brattle</p> <p>7 Group had to address that issue themselves?</p> <p>8 A That's right.</p> <p>9 Q And didn't they decide that they</p> <p>10 were going to purchase some information from</p> <p>11 the Manville Trust.</p> <p>12 Do you recall that?</p> <p>13 A I do vaguely recall something about</p> <p>14 that, yes. There's some database where you</p> <p>15 can purchase information and -- yes.</p> <p>16 Q And they then began to assess the</p> <p>17 size of the problem based upon that --</p> <p>18 Manville information as well as the</p> <p>19 historical Federal Mogul information; isn't</p> <p>20 that right?</p> <p>21 A That sounds right.</p> <p>22 Q And it's true that on the flip</p> <p>23 side, Federal Mogul's consultant ARPC did</p> <p>24 the same thing?</p> <p>25 A In all likelihood, yes.</p>

<p style="text-align: right;">Page 193</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 MR. KENNEDY: Mark as</p> <p>3 Clearwater Exhibit 21, an e-mail by</p> <p>4 Mr. Feldman dated August 27, 2008 to</p> <p>5 Mr. Dolan and it's Bates-stamped</p> <p>6 GRANITE STATE-034570.</p> <p>7 (Clearwater Exhibit 21, E-mail</p> <p>8 dated Wednesday, August 27, 2008,</p> <p>9 2:15 p.m., GRANITE STATE-034570,</p> <p>0 was marked for Identification.)</p> <p>1 BY MR. KENNEDY:</p> <p>2 Q Are you aware of certain</p> <p>3 environmental claims that Federal Mogul had</p> <p>4 made against the policies at a certain</p> <p>5 point?</p> <p>6 A Not really.</p> <p>7 No.</p> <p>8 Q Okay.</p> <p>9 Have you seen this e-mail before?</p> <p>0 A I don't recall specifically seeing</p> <p>1 this e-mail but this e-mail is somewhat</p> <p>2 consistent with what we might request in a</p> <p>3 settlement like this to include</p> <p>4 environmental release. We try to make it as</p> <p>5 favorable to the company and other</p>	<p style="text-align: right;">Page 195</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 2007?</p> <p>3 A Not specifically.</p> <p>4 Q Generally speaking?</p> <p>5 A Yes.</p> <p>6 Q Did you attend that settlement?</p> <p>7 A No.</p> <p>8 Q How about Mr. Parness?</p> <p>9 A I don't think so.</p> <p>10 Q Do you know if anyone within AIG</p> <p>11 attended it?</p> <p>12 A I don't think so.</p> <p>13 Q Now, the second paragraph, it says</p> <p>14 "You indicated" -- I'm going to skip the</p> <p>15 first phrase there. There is a question</p> <p>16 mark in the left-hand for good reason, I</p> <p>17 think. But I'm going start up with "You</p> <p>18 indicated that the draft agreement that you</p> <p>19 transmitted contained a payment stream that</p> <p>20 was proposed in connection with all of these</p> <p>21 as inclusive of environmental claims."</p> <p>22 Do you see that?</p> <p>23 A Yes.</p> <p>24 Q Do you recall seeing a draft</p> <p>25 agreement in and around August of 2008 from</p>
<p style="text-align: right;">Page 194</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 departments.</p> <p>3 Q To get as broad a release as you</p> <p>4 can?</p> <p>5 A Yes.</p> <p>6 Q And the phone conference that's</p> <p>7 referred to on Wednesday, August 20, 2008.</p> <p>8 Do you see that?</p> <p>9 A Yes.</p> <p>0 Q Do you have any recollection of</p> <p>1 that phone conference between Mr. Feldman</p> <p>2 and Mr. Dolan?</p> <p>3 A Only that I recall Steve Parness</p> <p>4 and myself talking with Mr. Dolan generally</p> <p>5 about the possibility of including</p> <p>6 environmental release in the deal.</p> <p>7 Q And then he writes at the bottom of</p> <p>8 the first paragraph, Mr. Feldman does, he</p> <p>9 says "I expressed my understanding that this</p> <p>0 point was addressed at the settlement</p> <p>1 meeting that you attended in December 2007."</p> <p>2 Do you see that?</p> <p>3 A Yes.</p> <p>4 Q Do you recall a settlement meeting</p> <p>5 occurring or taking place in December of</p>	<p style="text-align: right;">Page 196</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 Federal Mogul?</p> <p>3 A We would have received the draft</p> <p>4 obviously before the final, so we probably</p> <p>5 were looking at a draft agreement at some</p> <p>6 point.</p> <p>7 MR. KENNEDY: Matt, do you know</p> <p>8 whether you produced a draft</p> <p>9 agreement from Federal Mogul that</p> <p>10 precedes this e-mail?</p> <p>11 MR. LASKY: I don't know the</p> <p>12 exact dates but I know we produced</p> <p>13 various e-mails of drafts -- I don't</p> <p>14 know the dates.</p> <p>15 MR. KENNEDY: If we determine</p> <p>16 we haven't receive this draft, we</p> <p>17 will follow-up.</p> <p>18 MR. LASKY: From Federal Mogul.</p> <p>19 MR. KENNEDY: That appears to</p> <p>20 be referred to in this e-mail.</p> <p>21 (Request made.)</p> <p>22 MR. LASKY: I'll take it under</p> <p>23 advisement.</p> <p>24 Q The next sentence following that</p> <p>25 one is "You explained that a total of four</p>

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payment stream options were discussed."

Do you know what he's referring to?

A I do.

We had a number of different payment stream options.

We were exploring time frames, frequency, amounts, things like that.

Q And those payment stream options were apparently discussed within AIG and maybe with counsel, but at least within AIG sometime prior to this e-mail, right?

A It would seem so.

Q And the numbers with respect to those payment stream options were within what range?

A Well, we were somewhere around \$40 million guaranteed payments and then there were certain milestones following that, that if those were met then there would be subsequent payments.

Q Depending upon future claim activity?

A Right.

Q And then you see that Mr. Feldman

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A Yes.

Q Do these appear to be the four payment options that were referred to in the earlier e-mail?

A I think so.

Q And you see that on the second page of this document it says "Revised Settlement Offer"?

A Yes.

Q What was the revision? What was the preceding settlement offer?

A I don't know.

We probably had a few sort of working models and I don't know the extent of the revisions.

It would be impossible for me to recall exactly what the changes were.

Q And you see Option B, the alternate amount.

Does that look to be the final agreement?

A It looks like -- the numbers seem to look right, as I recall \$40 million -- the MPV was not that much less because it

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requests "the details of the four payment streams" in that third paragraph, last sentence?

A Yes.

Q Do you know whether AIG provided that information to Mr. Feldman?

A It's likely that we did because the deal eventually was entered into.

MR. KENNEDY: Mark as

Clearwater Exhibit 22, an e-mail from Mr. Wilkinson to S. Gilbert, so Scott Gilbert, dated September 30, 2008.

And it's Bates-stamped GRANITE STATE-034565 through 566.

(Clearwater Exhibit 22, E-mail dated Tuesday, September 30, 2008,

12:27 p.m., with attachment, GRANITE STATE-034565 through GRANITE STATE-034566, was marked for Identification.)

BY MR. KENNEDY:

A Okay.

Q And have you had a chance to look at the attachment?

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wasn't spread out over that much time.

Q And you see the total MPV amount or the alternate amount for Option B is \$38,218,000, right?

A Right.

Q Was that amount the amount paid directly to Federal Mogul under the settlement agreement?

A I don't recall. I'd have to look at the final agreement and see if it's the same, but certainly now I don't recall the guaranteed payment portion.

Q My question is: Do you know whether in fact a lump sum under the settlement agreement was paid to Federal Mogul as opposed to periodic installment payments?

A No, it was installment payments.

Q And those are being made by AIG directly to Federal Mogul?

A Yes.

Q There's no third --

A I think so. We could be paying a trustee. I suppose that's possible.

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<p style="text-align: right;">Page 201</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 Q All right.</p> <p>3 But aside from that, there's no one</p> <p>4 that paid on behalf of AIG to Federal Mogul</p> <p>5 the net present value amount?</p> <p>6 A No.</p> <p>7 Q And you see in the third paragraph</p> <p>8 where Mr. Wilkinson says "You'll note this</p> <p>9 proposal reduces the overall nominal value</p> <p>0 of the proposal previously discussed by</p> <p>1 \$2 million ..."?</p> <p>2 A Yes.</p> <p>3 Q "... and eliminates the</p> <p>4 environmental release as a material term of</p> <p>5 the deal"?</p> <p>6 A Yes.</p> <p>7 Q So it looks like there may have</p> <p>8 been a prior offer that was \$2 million more</p> <p>9 than the offer reflected in the payment</p> <p>0 streams in the attachment to this document?</p> <p>1 A That would appear correct.</p> <p>2 Q Do you recall that?</p> <p>3 A I do remember putting a value,</p> <p>4 trying to come up with a value of the</p> <p>5 environmental release and that would be a</p>	<p style="text-align: right;">Page 203</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 This is from Tom to Scott Gilbert,</p> <p>3 so I guess this would have been the Trust's</p> <p>4 proposed deal and then us responding to it.</p> <p>5 So yeah, I don't know what their</p> <p>6 proposed \$1 million cap was.</p> <p>7 MR. KENNEDY: Mark as</p> <p>8 Clearwater Exhibit 23, an e-mail from</p> <p>9 Steve Parness to Mr. Wactlar dated</p> <p>10 September 3, 2008.</p> <p>11 It's Bates-stamped GRANITE</p> <p>12 STATE-PRIV-0000272 to 274.</p> <p>13 (Clearwater Exhibit 23, E-mail</p> <p>14 dated September 3, 2008,</p> <p>15 12:23 p.m., with attachment,</p> <p>16 GRANITE STATE-PRIV-0000272 to</p> <p>17 GRANITE STATE-PRIV-0000274, was</p> <p>18 marked for Identification.)</p> <p>19 BY MR. KENNEDY:</p> <p>20 Q Do you recall seeing this document</p> <p>21 before?</p> <p>22 A I do.</p> <p>23 Q And this e-mail attaches a Federal</p> <p>24 Mogul settlement memo?</p> <p>25 A Right.</p>
<p style="text-align: right;">Page 202</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 negotiating tool in trying to reduce the</p> <p>3 overall settlement, if they weren't going to</p> <p>4 include the environmental release.</p> <p>5 Q If you look at the third paragraph,</p> <p>6 the last sentence, it says "Please note this</p> <p>7 proposal includes a full Section 524G</p> <p>8 protection from the FM Trust and does not</p> <p>9 impose a million-dollar cap for all insurers</p> <p>0 as suggested in your draft."</p> <p>1 Do you see that?</p> <p>2 A Yes.</p> <p>3 Q Do you know what the million-dollar</p> <p>4 cap refers to?</p> <p>5 A I have no idea what that is.</p> <p>6 Q And it says "as suggested in your</p> <p>7 draft."</p> <p>8 Is that a draft term sheet?</p> <p>9 A I don't know what that is.</p> <p>0 Q And it said "suggested in your</p> <p>1 draft"?</p> <p>2 A Right.</p> <p>3 Q Do you know what the "draft" was.</p> <p>4 Was it a draft settlement agreement?</p> <p>5 A It sounds like it was.</p>	<p style="text-align: right;">Page 204</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 Q Who drafted the memo?</p> <p>3 A This was probably Steve Parness and</p> <p>4 myself together.</p> <p>5 It was either Steve and myself or</p> <p>6 myself.</p> <p>7 Typically we would draft the memo</p> <p>8 and then I would send it to Steve and then</p> <p>9 Steve would send it on to senior management</p> <p>0 for ultimate review and approval.</p> <p>1 Q So when it says "I'm writing to</p> <p>2 request settlement authority," the "I" is</p> <p>3 referring to you?</p> <p>4 A It's a little bit of semantics. It</p> <p>5 might be Steve or I. I don't know.</p> <p>6 Q Under "Coverage" on the memo, it</p> <p>7 sets out the total available limits as</p> <p>8 \$151 million and then identifies the</p> <p>9 individual AIG company limits?</p> <p>0 A Yes.</p> <p>1 Q And then it says "National Union</p> <p>2 issued a primary policy which has been</p> <p>3 exhausted."</p> <p>4 Do you see that?</p> <p>5 A Yes.</p>

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Q Do you recall there being a National Union policy that's been exhausted?

A I do remember. I do remember discussing that there was this primary policy that was exhausted.

Q Do you know if that National Union policy was the master policy under which the Federal Mogul claim got set up?

A I don't.

Q Then the next sentence says "The lowest attachment point of available coverage is excess of \$20 million."

Do you see that?

A Yes.

Q What did you mean by the "lowest attachment point"?

A Meaning above that, exclusive of that primary policy, the other insurance started at an attachment point of \$20 million, you know, 20 million and one dollar. Just above \$20 million.

Q So the other policies were excess policies; is that right?

A Yes.

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Option A?

A I don't recall.

I mean, Option B included, but I'm not sure if both included the milestone payments as well, but I don't know why they would have chosen B over A.

Q I see.

So the milestone payments related only to Option B?

A Right. It's possible.

Q And the claim file creation that we saw for the Granite State policies, we talked about earlier the shelling, all related to these payment stream options in 2008?

A Yes.

Q So those were created with the understanding that these payment stream options were being discussed within AIG, right?

A Yes.

Q And with the understanding that they would impact -- these payment stream options would impact those policies where a

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Q If you go to the next page which is 274, it says Proposed Settlement.

"Subject to bankruptcy court approval, AIG will pay Federal Mogul 10.5 million per year through 2011 for a total of \$42 million," right?

A Yes.

Q If we look at Exhibit 22, which is dated after this document, you see the amount that is offered under at least Option B is \$40 million, right?

\$2 million less?

A Yes.

Q Does this \$42 million, if you recall, contemplate a release of the environmental claims?

A It might. It might. I don't remember.

Q Looking at Option A, if we stay with Exhibit 22, that seems to be for a greater amount than Option B amounts.

A Yes.

Q Why was it that, if you know, Federal Mogul chose Option B rather than

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claim file was created?

A Yes.

Q In Exhibit 23 at the last page there, it says Advantages of the Proposed Settlement.

A Yes, I see.

Q And it says, "Number 1, Due to the size of the insured's potential losses and a probably adverse allocation ruling under New Jersey law, this agreement severely limits the applicability of the 151 million issued to Federal Mogul."

Do you see that?

A Yes.

Q So there was an understanding that the size of the problem of the Wagner liabilities could be much greater to AIG than the \$40 million that they were offering to settle this case?

A Yes.

Q And I think you said that understanding was derived in part at least from the consultant reports that you had received from Brattle?

52 (Pages 205 to 208)

<p style="text-align: right;">Page 221</p> <p>1 JEFFREY M. WACTLAR 2 bottom? 3 A Yes. 4 Q So does it appear that you were 5 asking in December of '08 to open up a claim 6 on this policy? 7 A Yes. 8 Q Why December of '08 when we saw the 9 other three Granite State McGraw-Edison 10 policies being -- the claims files being 11 opened up in March of '08? 12 A It's possible and likely since the 13 policy itself is attached that I just -- I 14 may not have been able to find the copy 15 before. I probably found the copy and then 16 sent it up to be shelled, coded and opened. 17 Q Do you need the policy, physical 18 policy itself to actually open up the file? 19 A You do, if it hadn't been shelled 20 and coded previously. 21 Q If it had not been? 22 A Right. 23 Q If it had been shelled and coded 24 with respect to the Dresser claim, would you 25 have to do that again for the Federal Mogul</p>	<p style="text-align: right;">Page 223</p> <p>1 JEFFREY M. WACTLAR 2 BY MR. KENNEDY: 3 Q Have you seen this document before? 4 A Yes. 5 Q Are those Mr. Parness' initials on 6 top there? 7 A Yes. 8 Q And do you know if you wrote this? 9 A This was -- I don't know if this 10 was the exact version of the other 11 settlement memo that we had looked at. This 12 may have been a work in progress. This was 13 sort of, as I was describing before, the 14 official coming from me to Steve who then 15 would sign it and forward it up to senior 16 management for review. 17 Q And would that be Mr. Brian at this 18 time? 19 A That would then go up to Jeff 20 Johnson. 21 Q And Jeff Johnson -- was Mr. Parness 22 the direct report of Mr. Johnson? 23 A Yes. 24 Q So did Mr. Ryan get replaced by 25 Mr. Johnson?</p>
<p style="text-align: right;">Page 222</p> <p>1 JEFFREY M. WACTLAR 2 claim? 3 A You would have to open up the claim 4 number, but you wouldn't necessarily have to 5 give them the hard copy of the policy. 6 Q Okay. 7 Is that the only difference? 8 A As far as I can remember, yeah. 9 Q And to get the claim number, would 10 you have to fill out the LMS claim 11 worksheet? 12 A Yes. 13 MR. KENNEDY: Let's mark as 14 Clearwater Exhibit 28, a memorandum 15 to Steve Parness from Jeffrey Wactlar 16 dated 12-9-2008 regarding the Federal 17 Mogul settlement authority request. 18 Bates-stamped GRANITE SITE 9227 to 19 9228. Memorandum, December 9, 2008. 20 (Clearwater Exhibit 28, 21 Memorandum dated December 9, 2008, 22 GRANITE SITE-009227 to GRANITE 23 SITE-009228, was marked for 24 Identification.) 25 THE WITNESS: Okay.</p>	<p style="text-align: right;">Page 224</p> <p>1 JEFFREY M. WACTLAR 2 A No. No. Ron was somebody who we 3 typically discussed reserving with. 4 Generally speaking, the ultimate decision 5 would go -- I wouldn't say the ultimate 6 decision, but Ron would make the 7 recommendation along with us to Jeff 8 Johnson, who is the senior vice president on 9 the toxic tort department. 10 Q When you say "the recommendation," 11 is that regarding settlement or reserve or 12 both? 13 A Ron would really make the 14 recommendations on reserves since Ron -- 15 Steve and I would negotiate the settlement 16 so we would make these recommendations. 17 Q What was Ron's title? 18 A I think he was considered vice 19 president. 20 Q Of the toxic torque department? 21 A Yes. 22 Q Do you know if Jeff Johnson was the 23 final decision-maker on whether to accept 24 this settlement proposal? 25 A For this amount I think it required</p>

<p style="text-align: right;">Page 225</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 one or level of management approval.</p> <p>3 Q Do you know who that was?</p> <p>4 A I think at that time that would</p> <p>5 have been Andrew Nadolna.</p> <p>6 Q If you go to the Advantages of the</p> <p>7 Proposed Settlement in the back here.</p> <p>8 You say "Of the 151 million limits</p> <p>9 AIG companies issued to Federal Mogul under</p> <p>10 the agreement, AIG will pay no more than</p> <p>11 \$72 million if certain benchmarks are hit,"</p> <p>12 right?</p> <p>13 A Right.</p> <p>14 Q We know that these benchmarks only</p> <p>15 relate to 32 million of the 72, right?</p> <p>16 A Yes.</p> <p>17 Q So the 40 million were definite</p> <p>18 certain payments of the period of time.</p> <p>19 A Right.</p> <p>20 Q And the time was upon the trigger</p> <p>21 date of the settlement agreement, they would</p> <p>22 be amount of \$10.5 million due within fairly</p> <p>23 right around that point in time, right?</p> <p>24 A Right.</p> <p>25 Q And then in a year after --</p>	<p style="text-align: right;">Page 227</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 benchmarks kick in or met, then we would be</p> <p>3 paying that additional 32 further on.</p> <p>4 Q And do you know what the net</p> <p>5 present valuing discount rate you were</p> <p>6 using?</p> <p>7 A No.</p> <p>8 Q No?</p> <p>9 A No.</p> <p>10 Q Do you recall that being discussed</p> <p>11 at the time in December --</p> <p>12 A It changes constantly. The rates</p> <p>13 changed all the time. It's what market</p> <p>14 rates are.</p> <p>15 MR. KENNEDY: Clearwater</p> <p>16 Exhibit 29 is an e-mail from Lynn</p> <p>17 Mitchell to Judy Marotti.</p> <p>18 And it's Bates-stamped GRANITE CS-8</p> <p>19 to 10.</p> <p>20 (Clearwater Exhibit 29, E-mail</p> <p>21 dated Friday, December 12, 2008,</p> <p>22 6:13 p.m., GRANITE CS-0008 through</p> <p>23 GRANITE CS-0010, was marked for</p> <p>24 Identification.)</p> <p>25 BY MR. KENNEDY:</p>
<p style="text-align: right;">Page 226</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 A I think they were yearly payments.</p> <p>3 Q There would be yearly payments up</p> <p>4 to the \$40 million?</p> <p>5 A Right.</p> <p>6 Q So if you assume that the</p> <p>7 \$72 million was all the cap, you are looking</p> <p>8 at -- my rough math here is something like</p> <p>9 53 percent discount off the policy limits?</p> <p>10 A Right.</p> <p>11 Q And then, 2, you say "By making</p> <p>12 payments over a series of years, at least</p> <p>13 the payments of \$40 million subject to</p> <p>14 payment caps, AIG receives the benefit of a</p> <p>15 cost savings in terms of the net present</p> <p>16 value of its ultimate liability insurance."</p> <p>17 Right?</p> <p>18 A Right.</p> <p>19 Q Is that Number 2, does that relate</p> <p>20 to the 32 million or the 40 million?</p> <p>21 A Well, mainly both because we're</p> <p>22 paying the 42 over time and the 32 even</p> <p>23 beyond that.</p> <p>24 Q The 40 over time?</p> <p>25 A The 40 over time. If the</p>	<p style="text-align: right;">Page 228</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 Q Okay.</p> <p>3 The second page you see Judy</p> <p>4 Marotti to Lynn Mitchell and you are cc'ed?</p> <p>5 A Yes.</p> <p>6 Q It says "Lynn please find the</p> <p>7 policy chart that I forgot to attach to my</p> <p>8 last e-mail."</p> <p>9 And if you turn the page, it looks</p> <p>10 like there's a policy chart there.</p> <p>11 Do you know how the policy chart</p> <p>12 was created?</p> <p>13 A I suspect that generally speaking,</p> <p>14 if I'm going to rely on a policy chart, I'd</p> <p>15 ask coverage counsel to prepare it for me.</p> <p>16 Q Coverage counsel?</p> <p>17 A Yes. And you know, in this case, I</p> <p>18 can't say -- and that may be the Lynberg</p> <p>19 Watkins involvement is helping me put</p> <p>20 together the coverage chart. It's possible.</p> <p>21 Q Okay.</p> <p>22 Judy Marotti's involvement?</p> <p>23 A Right.</p> <p>24 Q Look on the front page there, it's</p> <p>25 an e-mail dated December 12, 2008 from Lynn</p>

57 (Pages 225 to 228)

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1 JEFFREY M. WACTLAR
2 Mitchell to Judy Marotti.

3 It says "Assuming that I'm
4 interpreting the underlying limits, this is
5 the allocation for the first \$25 million
6 payment."

7 Do you see that?

8 A Yes.

9 Q Do you know what the \$25 million
0 payment refers to?

1 A We may have been trying to sort out
2 how I was going to make the first -- it may
3 have been a projection. I may have needed
4 to project it. So I may have been -- you
5 know, hence the PAQR 18 months, so it may
6 have included the first two payments, 10/5
7 and 10/5.

8 So it may relate back to that PAQR
9 reference. And based on the previous
0 e-mail, it seems it's all what that was
1 about. I sort of suspect that that's what
2 that is.

3 And I'm sort of putting Lynn in
4 touch with Judy to help me figure out how
5 I'm going to project those two payments on

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1 JEFFREY M. WACTLAR

2 Do you know what that reallocation
3 was about?

4 A This seems to me that we were -- we
5 had a couple scenarios that we were playing
6 with when we were looking at the payments.

7 So in other words, maybe one of the
8 settlement offers was going to be an initial
9 payment of \$25 million, so it seems like
10 that's what we were talking about.

11 Q But at this point in time, though,
12 hadn't the settlement agreement been entered
13 into?

14 And it's not a memory test, so --

15 A It does seem like.

16 This was already in 2009, so -- I
17 don't know why. Maybe there was a mistake
18 made.

19 I think this was -- you know what
20 this was, this was -- this is what I said
21 previously.

22 I had asked Lynn to do a payment
23 allocation for me to help me figure out as I
24 made my payments 10.5, 10.5, 10.5 and 8 what
25 policies those would be allocated to. And

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1 JEFFREY M. WACTLAR
2 PAQR.

3 Q The 10.5?

4 A 10.5. So it's really not 25. It's
5 like 21. So I don't know why it says 25.
6 Maybe the 25 is like an easy point. I don't
7 know. It seems like that's what it probably
8 was.

9 MR. KENNEDY: Let's mark as
0 Clearwater Exhibit 30, an e-mail from
1 Lynn Mitchell to Judy Marotti dated
2 January 13, 2009. It's Bates-stamped
3 GRANITE CS-23 to 25.

4 (Clearwater Exhibit 30, E-mail
5 chain, top e-mail dated Tuesday,
6 January 13, 2009, 1:36 p.m.,
7 GRANITE CS-0023 to GRANITE CS-0025,
8 was marked for Identification.)

9 BY MR. KENNEDY:

0 Q You see that on the bottom of this,
1 it's a Judy Marotti e-mail, same date, to
2 Lynn Mitchell.

3 It's asking her to "redo the
4 allocation of the first 25 and the first two
5 10.5 million."

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1 JEFFREY M. WACTLAR

2 this was an e-mail with some confusion
3 between Judy and Lynn sorting out. I think
4 Lynn thought there was a first payment of
5 25, when that wasn't correct because the
6 payment was 10.5. And I had put Judy and
7 Lynn together to sort this out.

8 It wasn't for PAQR. It was because
9 Judy had policy information, because I must
10 have asked the Lynberg firm to do the
11 coverage chart for me and she had that
12 information readily available, so I put Judy
13 and Lynn in touch together so that Judy
14 could give Lynn the information she needed
15 to do the payment allocation.

16 In other words, so when I started
17 making my payments, I would know and be
18 ready to go. So when I did my payment
19 forms, because there was a whole other form
20 you had to do to issue a payment, it would
21 be done correctly.

22 Q So you think the \$25 million
23 payment was an error or a mistake?

24 A Yes, it was a mistake.

25 MR. KENNEDY: Let's mark

58 (Pages 229 to 232)

<p style="text-align: right;">Page 245</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 Identification.)</p> <p>3 BY MR. KENNEDY:</p> <p>4 Q Mr. Wactlar, do you recall seeing</p> <p>5 this e-mail before?</p> <p>6 A No.</p> <p>7 Q You see Mr. Johnson writing</p> <p>8 Mr. Perez.</p> <p>9 Who is Mr. Perez?</p> <p>10 A David Perez held the position of</p> <p>11 executive vice president prior to Andrew</p> <p>12 Nadolna.</p> <p>13 Q Do you know why he was writing this</p> <p>14 e-mail?</p> <p>15 A It looks like it's in response to</p> <p>16 an inquiry.</p> <p>17 Q And at this point in March of '08,</p> <p>18 we saw the opening for the claims files for</p> <p>19 certain policies, the Granite State</p> <p>20 McGraw-Edison policies, so we know that --</p> <p>21 well, I think you testified that there were</p> <p>22 settlement discussions and we saw reference</p> <p>23 to pending settlement agreement in e-mails</p> <p>24 in and around this time.</p> <p>25 A Okay.</p>	<p style="text-align: right;">Page 247</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 Federal Mogul-ECS, GRANITE</p> <p>3 SITE-009071 through GRANITE</p> <p>4 SITE-009079, was marked for</p> <p>5 Identification.)</p> <p>6 BY MR. KENNEDY:</p> <p>7 Q Have you seen this document before?</p> <p>8 A Yes.</p> <p>9 Q When do you recall seeing it?</p> <p>10 A I prepared it.</p> <p>11 Q And what is this document?</p> <p>12 A This is the executive claims</p> <p>13 summary.</p> <p>14 This is the document which is sent</p> <p>15 up through the chain; in other words, I sign</p> <p>16 it, Steve Parness signs it, Jeff Johnson</p> <p>17 signs it and I think ultimately at this</p> <p>18 point Andrew Nadolna signs it, and if it</p> <p>19 goes through that chain successfully you can</p> <p>20 proceed to raise your reserves.</p> <p>21 Q Now, you see on the second page it</p> <p>22 says at the very bottom left-hand of the</p> <p>23 page, it says "Potential exposure, prior</p> <p>24 growth zero.</p> <p>25 A Gross reserves ... Where are you</p>
<p style="text-align: right;">Page 246</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 Q Okay.</p> <p>3 But you also testified about there</p> <p>4 was difficulty about getting information</p> <p>5 from Federal Mogul because they went into</p> <p>6 bankruptcy in 2001?</p> <p>7 A That's exactly right.</p> <p>8 Q Do you know, looking at this</p> <p>9 e-mail, whether there was a desire within</p> <p>10 AIG to perform a claim audit?</p> <p>11 A I don't know so much that there was</p> <p>12 a desire to perform a claim audit but this</p> <p>13 is a good example of what I indicated</p> <p>14 previously, that management was always</p> <p>15 interested in real claim information.</p> <p>16 And that's why we would have asked</p> <p>17 Ted Feldman for that information, sort of</p> <p>18 almost anticipating this would be a standard</p> <p>19 question that we might get asked.</p> <p>20 MR. KENNEDY: Now, if we can</p> <p>21 mark as Clearwater Exhibit 33, a</p> <p>22 document entitled Federal Mogul-ECS.</p> <p>23 Bates-stamped GRANITE SITE-009071</p> <p>24 to 9079.</p> <p>25 (Clearwater Exhibit 33,</p>	<p style="text-align: right;">Page 248</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 looking?</p> <p>3 Q Left-hand corner, bottom left-hand</p> <p>4 corner on the second page.</p> <p>5 A Got you.</p> <p>6 Q It says "Potential exposure. Prior</p> <p>7 growth zero. Gross \$27,500,000."</p> <p>8 A Right.</p> <p>9 Q Does that mean prior to the date of</p> <p>10 this executive claim summary, the reserves</p> <p>11 on this policy were zero?</p> <p>12 A Yeah, this group of policies was</p> <p>13 zero.</p> <p>14 Q And these group of policies, if you</p> <p>15 were to go to the next page, there's a</p> <p>16 spreadsheet there, right?</p> <p>17 A Yes.</p> <p>18 Q Dated March 4, 2009?</p> <p>19 A Right.</p> <p>20 Q Prepared by you.</p> <p>21 And that shows the policies where</p> <p>22 there were reserve increases, right?</p> <p>23 A Right.</p> <p>24 Q It says "Prior reserve, four</p> <p>25 dollars," yet it's just --</p>

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JEFFREY M. WACTLAR

A This is prepopulated by our computer system, so it is what it is.

I believe that number is prepopulated, but the essence of it is we had no real reserves.

They were just small statistical reserves.

Q If you go back to Exhibit 24.

It's the long paper, looks like this. Just a single sheet.

A Got it.

Q You see this is a similar-looking spreadsheet to 9073?

A Yes.

Q And the date is different, obviously, August 29, 2008.

And it shows a reserve increase already.

So can you explain to me what the difference is, why there's on 9073, the prior reserves are only four dollars?

MR. LASKY: Object to the form.

A These are the same documents. This never went through. This was prepared --

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JEFFREY M. WACTLAR

'08 on these policies, as reflected in Exhibit 24?

MR. LASKY: Object to the form.

A The reserve, no.

Well -- no. I mean this, again, was as we were preparing our documents.

Ultimately, this right here dated 3-12 is when it was put through.

Q If you go to 9074 to 9077, they all appear to be a reserve autonomy increase request relating to the four McGraw-Edison policies.

A Uh-huh.

Q Is that something that you filled out?

A Yes.

These are the actual sheets that tell the person in New York to raise the reserve to amounts that are beyond my authority.

Q And your authority was what?

A \$250,000.

Q If you look 9074 it says "Current autonomy level, 500,000."

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JEFFREY M. WACTLAR

this was a draft prepared in anticipation of the final one which is attached to the CCS.

Q I see.

And "this" being Exhibit 24?

A Right.

If you notice, the amount was 25 million on this document.

Q Right.

A The amount is 27.5 on this document. It was changed in our drafting process.

Q Okay.

Now, do you recall with respect to Exhibit 24, did you send that to Steve Parness for approval?

A This would get -- you mean specifically 24?

Q Yeah.

A It generally gets sent as a package for approval. This was just a work in progress.

Q Okay. Got it.

I mean, do you recall asking for significant reserve increases in August of

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JEFFREY M. WACTLAR

A Autonomy is different. Autonomy is not reserve.

Autonomy is the concept that you only can -- you can only raise reserves and pay so much on a claim file without getting an autonomy increase.

And generally, as far as -- I don't know how they're set, but I think they're all basically set at \$500,000.

Q Is that in the aggregate on a claim?

A Yes.

Q That's not per payment, it's in the aggregate?

A Right.

Q In the new autonomy level, you are asking for five and a half million?

A Right. That represents -- when you say reserves, you raise autonomy up with the reserves.

Q So once you get the reserve increase, you then have the authority to release it in actual paid dollars?

A Exactly.

63 (Pages 249 to 252)

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<p>1 JEFFREY M. WACTLAR</p> <p>2 Q Who is the manager -- that look</p> <p>3 like Steve Parness' signature or initials?</p> <p>4 A Yes.</p> <p>5 Q And then who is AB? If I'm reading</p> <p>6 that correctly to the right.</p> <p>7 A That actually is probably Andy</p> <p>8 Barberis. This is just an educated guess,</p> <p>9 but Andy Barberis and Andrew Nadolna have</p> <p>10 the same function. It's just that Andrew</p> <p>11 Nadolna oversees certain departments and</p> <p>12 Andy Barberis oversees other departments.</p> <p>13 It may have been that Andrew was</p> <p>14 out and we wanted to get it done, so -- you</p> <p>15 know, they just fill in for each other. So</p> <p>16 if it doesn't go through Andrew, it would go</p> <p>17 through Andy. That's the most logical</p> <p>18 explanation of "AB."</p> <p>19 Q What departments does Andy oversee,</p> <p>20 at least at the time of this document?</p> <p>21 A You know, I don't remember exactly</p> <p>22 what departments.</p> <p>23 I know Andrew Nadolna oversees</p> <p>24 toxic tort, the pollution department, maybe</p> <p>25 the medical malpractice department.</p>	<p>1 JEFFREY M. WACTLAR</p> <p>2 previously, that that was you believe a</p> <p>3 randomly chosen date as a report of loss</p> <p>4 date?</p> <p>5 A You know, that's interesting.</p> <p>6 That I think is prepopulated and</p> <p>7 you are right, that does seem to coincide</p> <p>8 with that other date. And I don't know why</p> <p>9 that date was selected.</p> <p>10 Q Could it be that when you shell out</p> <p>11 a claim file, it gets created -- it gets</p> <p>12 included into the executive claim summary</p> <p>13 automatically?</p> <p>14 A It's possible because you see</p> <p>15 there's one claim number in the upper</p> <p>16 right-hand corner. That may have been the</p> <p>17 date that I created that claim number or the</p> <p>18 date that I put in as the reported date on</p> <p>19 that claim number.</p> <p>20 Again that, you know, is an example</p> <p>21 of how there's sometimes one claim number</p> <p>22 used but in reality there are many claim</p> <p>23 numbers involved.</p> <p>24 Q We agree, though, that the loss was</p> <p>25 reported by Federal Mogul as to these</p>
Page 254	Page 256
<p>1 JEFFREY M. WACTLAR</p> <p>2 Andy Barberis I know oversees my</p> <p>3 current department, the PASE department, the</p> <p>4 mass tort department, so there's some</p> <p>5 division oversight there.</p> <p>6 Q If you go to 9072, back to the</p> <p>7 executive claim summary under Case</p> <p>8 Evaluation, you see the second-to-last</p> <p>9 sentence and the last sentence refer to an</p> <p>10 audit.</p> <p>11 A Yes, that's right.</p> <p>12 Q It's true, though, that AIG's</p> <p>13 obligation to pay Federal Mogul the</p> <p>14 \$40 million was irrespective of any audit,</p> <p>15 right?</p> <p>16 A Yes.</p> <p>17 Q So the accuracy of the claims data</p> <p>18 really related to the contingent liability</p> <p>19 of the 32 million?</p> <p>20 A Right.</p> <p>21 Q Now, looking up on the executive</p> <p>22 claim summary, it has a report date.</p> <p>23 Do you see 2-11-2008?</p> <p>24 A Yes.</p> <p>25 Q And we discussed that I think</p>	<p>1 JEFFREY M. WACTLAR</p> <p>2 policies long ago?</p> <p>3 A Yeah.</p> <p>4 Q That being pre-prepartitioning</p> <p>5 agreement?</p> <p>6 A Right.</p> <p>7 MR. KENNEDY: Let's mark as</p> <p>8 Clearwater Exhibit 34, and it's a</p> <p>9 letter from Campos & Stratis to</p> <p>10 Mr. Wactlar dated February 23, 2009.</p> <p>11 Bates-stamped 2GRANITE-002116 to</p> <p>12 2119.</p> <p>13 (Clearwater Exhibit 34, Letter</p> <p>14 dated February 23, 2009,</p> <p>15 2GRANITE-002116 through</p> <p>16 2GRANITE-002119, was marked for</p> <p>17 Identification.)</p> <p>18 BY MR. KENNEDY:</p> <p>19 Q Do you recall receiving this</p> <p>20 letter?</p> <p>21 A Yes.</p> <p>22 Q And basically, could you just tell</p> <p>23 us what this represents generally?</p> <p>24 A This was the result of the</p> <p>25 assignment that I had asked Campos & Stratis</p>

<p style="text-align: right;">Page 257</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 to perform which was a payment allocation.</p> <p>3 And this refers -- first two pages</p> <p>4 are basically sorts of a written summary of</p> <p>5 what they did and then the resulting</p> <p>6 spreadsheet which would assist me in</p> <p>7 actually making my payments, Payment 1,</p> <p>8 Payment 2, Payment 3, Payment 4 and so on.</p> <p>9 Q Under "Coverage," Ms. Mitchell</p> <p>10 notes "We analyzed the coverage chart</p> <p>11 prepared by Bates White."</p> <p>12 What coverage chart was prepared by</p> <p>13 Bates White, if you know?</p> <p>14 A We had a coverage chart that</p> <p>15 Bates & White must have done a long, long</p> <p>16 time ago.</p> <p>17 But it was way before I was</p> <p>18 handling the file, but it was a coverage</p> <p>19 chart which we had and it appeared accurate,</p> <p>20 and I think it was a coverage chart that we</p> <p>21 sort of was using as reference material.</p> <p>22 Q Is Bates White a law firm?</p> <p>23 A I think Bates White is another</p> <p>24 actuarial-type firm, I think.</p> <p>25 Q Do you know if they were retained</p>	<p style="text-align: right;">Page 259</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 just gave?</p> <p>3 A Yes.</p> <p>4 Q It says "We allocated the</p> <p>5 settlement payments on pro rata share basis</p> <p>6 of the layers of the available coverage."</p> <p>7 What was your understanding of "pro</p> <p>8 rata"?</p> <p>9 A Bathtub allocation.</p> <p>10 Q But pro rata to what? What does</p> <p>11 "pro rata" refer to?</p> <p>12 A Just evenly across policies.</p> <p>13 Q Policy years?</p> <p>14 A Evenly across the policy years of</p> <p>15 the lowest layer, lowest attachment points,</p> <p>16 yes. Going up.</p> <p>17 Q And then it says in the last</p> <p>18 sentence of that paragraph, "We triggered</p> <p>19 only those policies whose underlying limits</p> <p>20 had been fully exhausted before accessing</p> <p>21 the next layer of coverage."</p> <p>22 A Right.</p> <p>23 Q And we talked a little bit about</p> <p>24 that generally, but not with respect</p> <p>25 specifically to Federal Mogul account,</p>
<p style="text-align: right;">Page 258</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 by the joint insured defense group?</p> <p>3 A It's possible.</p> <p>4 Q But you don't know who they were --</p> <p>5 A No.</p> <p>6 Q -- who they were retained by?</p> <p>7 A No.</p> <p>8 Q If you go to the next page where it</p> <p>9 says "Allocation method and assumptions."</p> <p>10 It says "After determining the</p> <p>11 attachment points of the AIG policies."</p> <p>12 Do you see that?</p> <p>13 A Yes.</p> <p>14 Q Do you have an understanding of</p> <p>15 what she is referring to in terms of</p> <p>16 "attachment points"?</p> <p>17 A Yes, the points at which the</p> <p>18 policies that we're going to pay attached</p> <p>19 at.</p> <p>20 In other words, there were excess</p> <p>21 policies that attached at a certain point.</p> <p>22 We talked about this before, excess of</p> <p>23 \$20 million.</p> <p>24 Q So their obligation to pay</p> <p>25 triggered at \$20 million in that example you</p>	<p style="text-align: right;">Page 260</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 correct?</p> <p>3 A Right.</p> <p>4 Q Why is it that that was the method</p> <p>5 adopted by Campos & Stratis to allocate?</p> <p>6 A If there is no other indication,</p> <p>7 the method that we typically used to</p> <p>8 allocate is a bathtub approach. So I would</p> <p>9 have said to Lynn Mitchell, "Do this by</p> <p>10 using a bathtub allocation." She was</p> <p>11 calling it "pro rata" and they are the same</p> <p>12 thing in my mind.</p> <p>13 Q And so if there's nothing -- no</p> <p>14 other reason to allocate it any other way,</p> <p>15 AIG would adopt a bathtub methodology?</p> <p>16 A Usually.</p> <p>17 Q Is that with respect to asbestos</p> <p>18 claims only?</p> <p>19 A Oh, I couldn't tell you what other</p> <p>20 departments would do.</p> <p>21 From my understanding and the work</p> <p>22 that I did in the asbestos department, we</p> <p>23 would just typically apply a bathtub</p> <p>24 allocation.</p> <p>25 In these situations where the</p>

<p style="text-align: right;">Page 261</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 agreement was silent, where there wasn't</p> <p>3 some other requirement by law, that's what</p> <p>4 we would typically do.</p> <p>5 Q So and we talked about the</p> <p>6 insurance principle underlying that earlier</p> <p>7 generally, but not with respect to the</p> <p>8 Federal Mogul account.</p> <p>9 A Right.</p> <p>10 Q And that general principle being</p> <p>11 that a policy that sits below another policy</p> <p>12 ought to be exhausted before the next policy</p> <p>13 gets -- its obligations get triggered.</p> <p>14 MR. LASKY: Object to the form.</p> <p>15 Q Is that right?</p> <p>16 A Yes.</p> <p>17 MR. KENNEDY: When I have a</p> <p>18 question pending, Matt, you ought to</p> <p>19 be not instructing the witness by any</p> <p>20 discussions with him or looks.</p> <p>21 MR. LASKY: What's your</p> <p>22 question? He already answered your</p> <p>23 question.</p> <p>24 BY MR. KENNEDY:</p> <p>25 Q If you turn the page.</p>	<p style="text-align: right;">Page 263</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 London policy that was originally part of</p> <p>3 the allocation of Federal Mogul settlement</p> <p>4 payments?</p> <p>5 A I don't know.</p> <p>6 MR. KENNEDY: Let me mark as</p> <p>7 Clearwater Exhibit 35, an e-mail from</p> <p>8 Lynn Mitchell to Judy Marotti dated</p> <p>9 January 5, 2009.</p> <p>10 Bates stamped GRANITE-CS-0019 to</p> <p>11 20.</p> <p>12 (Clearwater Exhibit 35, E-mail</p> <p>13 chain, top e-mail dated Monday,</p> <p>14 January 5, 2009, 9:00 p.m.,</p> <p>15 GRANITE-CS-0019 to GRANITE-CS-0020,</p> <p>16 was marked for Identification.)</p> <p>17 BY MR. KENNEDY:</p> <p>18 Q And take your time looking at it,</p> <p>19 but if you turn the page there, you'll see a</p> <p>20 Lexington London policy.</p> <p>21 A Yes.</p> <p>22 Q And that policy does not appear to</p> <p>23 be on the Campos & Stratis allocation.</p> <p>24 A That might be why --</p> <p>25 Q Do you know why that was taken off?</p>
<p style="text-align: right;">Page 262</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 Does this represent the allocation</p> <p>3 of the Federal Mogul payments?</p> <p>4 A Yeah, looks like it does.</p> <p>5 Q And there are no dates on this</p> <p>6 because prior to this or at the time of this</p> <p>7 letter in February '09, the trigger date had</p> <p>8 not been activated yet under the settlement</p> <p>9 agreement; is that your understanding?</p> <p>10 A Right.</p> <p>11 There might be -- no, I think that</p> <p>12 is correct.</p> <p>13 Q What were you going to say?</p> <p>14 A There might have been a revised</p> <p>15 version because I'm seeing that the first</p> <p>16 payment of 1, 2, 3, 4, 5 Granite State</p> <p>17 payments.</p> <p>18 And one AIU payment.</p> <p>19 And I raised reserves once on four</p> <p>20 Granite State policies.</p> <p>21 I think there was a revised version</p> <p>22 in this chart.</p> <p>23 I have this recollection of there</p> <p>24 being some revision of this for some reason.</p> <p>25 Q Well, wasn't there a Lexington</p>	<p style="text-align: right;">Page 264</p> <p>1 JEFFREY M. WACTLAR</p> <p>2 Or out of the allocation spreadsheet.</p> <p>3 Excuse me.</p> <p>4 A I think I know.</p> <p>5 Q What do you know?</p> <p>6 A If you recall, the e-mail we talked</p> <p>7 about with the Lex London slip, what did we</p> <p>8 call it? It was a subscription policy.</p> <p>9 Q Yup.</p> <p>10 A The problem was we needed to get</p> <p>11 that policy, we couldn't locate the policy.</p> <p>12 We knew it existed but we couldn't locate</p> <p>13 it, but we needed to get it in order to send</p> <p>14 it to be shelled and coded so we can get a</p> <p>15 claim number open so we could get money up</p> <p>16 on that policy.</p> <p>17 I think since we couldn't get it in</p> <p>18 time to put the ECS through, we removed it</p> <p>19 and then at some later date, I think -- I</p> <p>20 think it would have been after I left --</p> <p>21 money may have been put up on that one</p> <p>22 remaining policy once that was done.</p> <p>23 I think we ran into a situation</p> <p>24 where it was very unusual where claims</p> <p>25 intake had never seen a subscription policy</p>

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1 JEFFREY M. WACTLAR
2 think is that in days.
3 Q Would you patch them in to the
4 committee or would you talk to them offline?
5 A No. It would be just like this
6 with the same speaker phone and I would call
7 them up, "Would you answer a quick question?
8 We have the committee here."
9 Q Okay.
10 Now, with respect to Exhibit 37, we
11 went over the ECS and it showed the 27.5
12 being posted.
13 He writes "No claims notes since
14 2005".
15 Do you have an understanding what
16 he's referring to?
17 A Yes.
18 Q What is he referring to?
19 A This was Andrew getting familiar
20 with the department and so he would be
21 looking through our electronic claim notes,
22 and I think what happened here was he was
23 looking under McGraw-Edison, which is what
24 is prepopulated on the ECS, because he
25 probably saw the ECS. He didn't look at the

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1 JEFFREY M. WACTLAR
2 notes. He didn't see any notes. He said
3 that's strange, we're putting up a lot of
4 money. But they were probably kept under
5 the name Federal Mogul.
6 So we probably sent him a response
7 saying they are under Federal Mogul and he
8 said okay.
9 Q What's the electronic claim notes,
10 what's that system?
11 A It's part of TTAS.
12 It's just for major things like
13 drafting ECS, major developments.
14 MR. KENNEDY: Matt, do you know
15 if you produced TTAS claim notes?
16 MR. LASKY: I'd have to go back
17 and look. You can request it and
18 I'll take it under advisement.
19 (Request made.)
20 BY MR. KENNEDY:
21 Q It it's also not on fourth quarter
22 '08 PAQR.
23 A Because he probably looked under
24 McGraw-Edison and didn't see it, when we
25 called it Federal Mogul.

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1 JEFFREY M. WACTLAR
2 Q And you had estimated -- we talked
3 about it -- as a \$10.5 million payment in
4 '09 on the PAQR?
5 A Right. Exactly.
6 MR. KENNEDY: Mr. Wactlar,
7 thank you for your time. I have no
8 further questions.
9 I'm done with my questions.
10 Mr. Lasky, you want to talk to the
11 witness before you decide whether you
12 have questions or not? And I just want
13 to note my objection to the extent that
14 you have a consultation with him where
15 you possibly orchestrated his testimony
16 without you just going directly into
17 asking questions right now. I object to
18 that because I think that's completely
19 improper.
20 In fact, it's just not done as a
21 matter of custom and practice and I'm
22 going to move to strike it.
23 MR. LASKY: Fine.
24 MR. KENNEDY: For the record
25 he's staying in the room. Thank you

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1 JEFFREY M. WACTLAR
2 very much.
3 EXAMINATION BY MR. LASKY:
4 Q Jeff, when you were discussing your
5 testimony regarding the way bathtub
6 allocations are done in your prior testimony
7 that in a bathtub allocation the lower
8 policies had to exhaust before the next
9 policy, the layer of policies would pay.
10 That testimony just referred to the
11 bathtub allocation itself, not how you can
12 settle or what policies you could settle,
13 correct?
14 A That's right. It's just a general
15 concept of the bathtub allocation.
16 I didn't refer to the world of
17 possibilities of different scenarios.
18 MR. LASKY: Actually, that's
19 all I have.
20 FURTHER EXAMINATION BY MR. KENNEDY:
21 Q That raises actually one follow-up
22 question.
23 When you were -- you testified
24 earlier that you were the only claims
25 analyst working under Mr. Parness' direction

68 (Pages 269 to 272)

<p style="text-align: right;">Page 273</p> <p>1 JEFFREY M. WACTLAR 2 from '06 to the time of settlement in '08 of 3 the Federal Mogul claims, right? 4 A Right. 5 Q When you settled -- when you were 6 working on settlement and prior to making 7 payments according to the Campos & Stratis 8 or agreeing to make payments under -- 9 withdrawn. 10 Prior to agreeing to pay the 11 \$40 million under the settlement agreement, 12 had you determined that the policies 13 underlying the AIG policies had fully 14 exhausted? 15 A Yes. 16 Q You had looked into that? 17 A Yes. 18 Q Okay. 19 And what did you do? 20 A I in particular would have looked 21 at the Brattle Group's numbers and the 22 projections that our best case scenario was 23 a \$500 million exposure and worse case 24 scenario over a billion, if you looked at 25 the ARPC or whatever Federal Mogul's</p>	<p style="text-align: right;">Page 275</p> <p>1 JEFFREY M. WACTLAR 2 important because we wanted to know the size 3 of the problem, among other reasons, to know 4 where we were in the tower we would 5 ultimately pay as high up as we were, but 6 also that the lower limits would be 7 exhausted. 8 Q In answer to my question of whether 9 you actually made that determination of 10 whether the underlying policies had paid 11 their full limits, the answer is no, right? 12 MR. LASKY: Object to the form. 13 A Well, I think I made the 14 determination, but I did not undertake an 15 investigation as far as calling the 16 underlying carrier and getting some letter 17 or verification from them that they had paid 18 their full limits. 19 But looking at where we were in the 20 tower, and who was below us and the exposure 21 on our best day, along with the fact that 22 all the carriers groups we knew were working 23 on their own settlements. 24 And I most likely made a call to 25 Cozen & O'Connor just to say "Is there any</p>
<p style="text-align: right;">Page 274</p> <p>1 JEFFREY M. WACTLAR 2 consultant was. 3 So having said that, when I looked 4 at where we were in the tower, it was rather 5 obvious that the lower policies were going 6 to be exhausted before we would be impacted. 7 Q So you made a determination that 8 they would -- the underlying policies, the 9 policies underlying AIG policies would be 10 exhausted? 11 A They would have to. 12 Q They would have to be? 13 A Yes. 14 Q Did you make a determination they 15 actually paid the full policy limits before 16 agreeing to a settlement? 17 A I'm not sure there was any way I 18 could have done that. I didn't undertake an 19 effort to call those carriers and 20 determine -- you know. Then you are getting 21 into a situation where you got discovery 22 issues, you've got all the carriers kind of 23 working on their own deals. 24 But as a matter of common practice, 25 and that's why the Brattle numbers were</p>	<p style="text-align: right;">Page 276</p> <p>1 JEFFREY M. WACTLAR 2 issue with regard to exhaustion that I need 3 to worry about?" That would have been my 4 extent of my determination. 5 Q And what did Cozen & O'Connor say? 6 MR. LASKY: Objection. That's 7 privileged. 8 A Yeah, that's counsel. 9 I will tell you that there was 10 nothing said that gave me pause as to the 11 exhaustion issue. 12 Q Let me ask you this. You said you 13 would have called. 14 Do you in fact, sitting here today, 15 do you recall having a conversation? 16 A Yeah, I do. It would be my 17 absolute common custom and practice. 18 Because you get to know certain 19 pieces of information that are important to 20 senior management, and one of the questions 21 that would have been asked was "Do we know 22 that the underlying was exhausted?" And I 23 would have wanted to make that phone call to 24 know I had an answer on that. 25 Q Mr. Wactlar, it's important here,</p>

69 (Pages 273 to 276)

But Mr. Wactlar, what I'm asking you is a very specific question and that is whether you in fact had looked into whether those carriers issuing the policies underlying the AIG policies had in fact paid

Notary Public

REASON: _____

Date _____

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Notary Public

IN WITNESS WHEREOF, I have hereunto
set my hand this 28th day of February,
2011.

BARBARA R. ZELTMAN
Court Reporter and Notary Public